# CITY OF EATONTON, GEORGIA

## REPORT OF AUDIT

## AUGUST 31, 2012

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Eatonton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Eatonton, Georgia, as of and for the year ended August 31, 2012. These collectively comprise the City's basic financial statements, as listed in the table of contents. The financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's August 31, 2011 financial statements; in our report dated August 29, 2012, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Eatonton, Georgia, as of August 31, 2012. As well, the respective changes in financial position and, where applicable, the cash flows thereof, and the respective budgetary comparisons for the General Fund and the major special revenue fund, are fairly presented in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It is not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

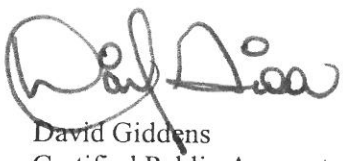
performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which immediately follows this report, be presented to supplement the basic financial statements. Although not a part of the basic financial statements, this information is required by the Governmental Accounting Standards Board. The Board considers this information to be essential for placing the basic financial statements in an appropriate operational, economic and/or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures consisted principally of inquiries of management regarding the methods of preparing the information, and comparing the information (for consistency) with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eatonton's financial statements as a whole. In addition to the required elements of the basic financial statements, individual and combining, nonmajor fund financial statements are presented to provide information for focused analysis. The accompanying schedule of expenditures of federal awards is presented as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. This is not a required part of the financial statements.

The individual and combining statements and the schedule of expenditures of federal awards are the responsibility of management. They were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements. This includes comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves as well as additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, they are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David Giddens
Certified Public Accountant
Eatonton, Georgia

February 8, 2013

# Management's Discussion and Analysis
(Unaudited)

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Eatonton, Georgia (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the City's financial activities for the fiscal year ended August 31, 2012. These financial activities and their results are discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. This information should be read and considered in conjunction with the financial statements.

## Economic Conditions Effecting the City

An audit report focuses, primarily, on financial transactions. The leadership of the city council and the mayor provides the impetus for these transactions. Some of the decisions, accomplishments and challenges of the 2012 fiscal year are noted in this discussion. Overall, the multi-year economic downturn has challenged City legislators and administrators to maintain services despite decreased revenues. To do so, reductions to routine expenditures and draw downs of accumulated fund balances have been necessary.

Specifically, these challenges include reductions to sales tax revenues. Overall, sales tax collections have declined as sales throughout the economy contracted. In addition, reductions will continue in coming years as the City receives a declining share of local option sales tax (LOST) revenues. As required every decade, the City and County have renegotiated allocations of these collections. Consequently, the City's share will decline from 47% to 31% over the next ten years.

For the first time in twenty five years, the City held hearings for a non-zero millage rate. Ad valorem taxes were renewed to mitigate sales tax losses. A 100% free port exemption on business inventories was adopted to attract companies to the City. Collections of this levy began in the fall of 2012, following the period of this report.

Development has slowed in the sluggish economic environment. There have been few new construction permits in this area. A hospice doctors group began development of a new hospice hospital in Eatonton. However, the group was unable to complete construction. It has not opened.

Never-the-less, the City continues to plan and to work for improved and expanded infrastructure.

- Specifically, a Community Development Block Grant is providing partial funding to install new storm drain mains, rehabilitate sewer lines and provide new fresh water supply lines for about 80 residents on six different streets.

- The City received a sizable donation of land to develop into a hike and bike park. Grant funding from the Georgia Department of Natural Resources will assist with park development.

- Property has been transferred to the downtown development authority for use as a city center parking lot. Special local option sales tax (SPLOST) revenues are designated for paving.

- Natural gas service is being extended to Lake Oconee. Construction of the main is largely completed. This project has been largely funded with SPLOST proceeds.

## Financial Highlights

Despite the challenges enumerated above, the City continues to maintain financial stability.

- The City's assets exceeded its liabilities by $12,021,656 (net assets) at fiscal year end. Total net assets is composed of $6,665,930 for all governmental activities and $5,355,726 for all business-type activities.

- Over the course of this year, total net assets increased by $189,143. Both governmental and business type activities narrowly increased their respective net assets.

- Total net assets are comprised of the following:

  (1) Capital assets of $8,544,233 are presented net of accumulated depreciation. There is no outstanding debt on these assets. They include property; buildings and improvements; utility systems; furniture, fixtures, machinery and equipment.

  (2) Net assets of $1,077,749 are restricted by constraints imposed by sources outside the city government. Restrictions on spending these amounts are required by grantors, laws and regulations.

  (3) The City Council has committed $350,963 for capital outlay; $794,083 for stabilization; and $495,137 for emergencies.

  (4) In addition, $7,805 was assigned for development.

  (5) The amount remaining after these restraints is $751,686. This amount is classified as unassigned. It represents the portion available to maintain the City's ongoing services.

These highlights are examined in more detail in the "financial analysis" section of this document. In addition to the information contained in this report, evaluation of the City's overall financial health extends to other factors such as stability of the tax base and condition of infrastructure.

## Overview of the Financial Statements

The City's basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. In addition to the basic financial statements, this report includes financial statements on each individual fund, along with combining statements of nonmajor funds.

### *Government-wide Financial Statements*

This annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets.* This reports the government-wide financial position, including all of the City's assets and liabilities, with the difference reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether financial position, as a whole, is improving or deteriorating.

The second government-wide statement is the *Statement of Activities,* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included, regardless of when cash is received or paid. The statement of activities is designed to show the financing sources for the City's distinct activities and functions.

Both government-wide financial statements distinguish between governmental activities, which are principally supported by sales and other taxes, and business-type activities, which are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, municipal court, public safety, public works, health and welfare, culture and recreation, and housing and development. Business-type activities include providing natural gas services and providing financing to promote local employment.

The government-wide financial statements are presented on pages 2 and 3 of this report.

***Fund Financial Statements***

A fund is a separate accounting entity used to segregate specific activities or objectives and their related financial transactions. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, the fund financial statements focus on the City's most significant funds rather than on the government as a whole. Major funds are separately reported while all others are aggregated into a single presentation. Individual fund financial statements for all funds, including nonmajor funds, is provided in latter sections of this report.

The City has two kinds of funds:

*Governmental funds,* as reported in the fund financial statements, encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus of fund financial statements is very different from that of the government-wide statements. Fund statements report short-term fiscal accountability focusing on the balances and uses of spendable resources. Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide a more complete picture of financial activity and financial position. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

Governmental funds include the General Fund, all special revenue funds and all capital projects funds. A budget comparison statement for the General Fund and the Capital Reserve Fund is presented as a basic financial statement. The basic governmental fund financial statements are presented on pages 5 – 9 of this report.

*Proprietary funds* are used to account for activities which are financed, in whole or in part, with user fees charged to external customers for services provided. These funds encompass the same functions reported as business-type activities in the government-wide statements. At both the government-wide and fund reporting levels, proprietary funds present changes in total net assets. Proprietary funds include the Natural Gas Fund and the Revolving Loan Fund. The basic proprietary fund financial statements are presented on pages 10 – 12 of this report.

***Notes to the Basic Financial Statements***

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 13 of this report.

***Other Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents individual and nonmajor funds combining financial statements. These may be found beginning on page 33. Budgetary comparison schedules for the General Fund and each, individual special revenue fund are found in this section of the report. These schedules demonstrate compliance with the City's budget.

## Financial Analysis of the City as a Whole

The table on page MD&A 6, ***Summary of Net Assets***, presents summarized components of net assets at the current and previous years' end. From year to year, changes in net assets may be compared and used to analyze the changing financial position of the City as a whole.

In comparing the current and previous years, the bottom line shows slight increases in net assets of both governmental activities (1.6%), and business-type activities (1.5%). Governmental Activities include the activities of seven governmental funds. Business-type activities are accounted for in two funds. In the following pages more analysis will be provided for each of these funds.

The City maintains a comfortable current ratio. The current ratio compares current assets to current liabilities. It is an indication of ability to pay current obligations. The City is well able to do so, as the current ratio for governmental activities is 5.9 to 1 (up slightly from 5.5 to 1 last year). The business-type activities ratio is 13.1 to 1 (decreased from 21.9 to 1 previously).

The City carries no outstanding debt related to capital assets or general obligations. The only long term debt represents estimates of unused annual leave benefits.

The table further shows that 71% of total net assets are composed of capital assets (land and improvements, buildings, furniture, fixtures, machinery, equipment, roads, bridges, sidewalks and natural gas delivery system). General infrastructure assets include roads and bridges acquired after September 1, 2003. The amount presented in the table represents cost less accumulated depreciation, or book value. More detailed discussion of capital assets is included further in this analysis.

Following the Summary of Net Assets, the ***Summary of Revenues, Expenses and Changes in Net Assets*** is presented on page MD&A 7. As noted in the introductory comments, net assets increased slightly for governmental and business-type activities.

Taxes, the City's largest source of revenues, declined. If not for an infusion of capital grants, overall governmental revenues would have declined. Sales of natural gas, in business-type activities, also declined.

For the second year, a decrease in expenditures was achieved. As in previous years, expenditures were greatest for the functions of public safety, natural gas delivery and public works.

## Summary of Net Assets

| | August 31, 2012 | | | | August 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | % of Total | Governmental Activities | Business-type Activities | Total | % of Total |
| Assets: | | | | | | | | |
| Current assets | 1,857,417.08 | 1,802,580.89 | 3,659,997.97 | 29.2% | 2,940,750.51 | 2,992,837.93 | 5,933,588.44 | 47.1% |
| Restricted assets | 350,963.37 | 0.00 | 350,963.37 | 2.8% | 370,555.14 | 0.00 | 370,555.14 | 3.0% |
| Capital assets, net of accumulated depreciation | 4,835,631.77 | 3,708,600.93 | 8,544,232.70 | 68.0% | 3,847,071.61 | 2,435,142.42 | 6,282,214.03 | 49.9% |
| Total assets | 7,044,012.22 | 5,511,181.82 | 12,555,194.04 | 100.0% | 7,158,377.26 | 5,427,980.35 | 12,586,357.61 | 100.0% |
| Liabilities: | | | | | | | | |
| Current liabilities | 313,552.41 | 137,699.23 | 451,251.64 | 84.6% | 536,112.67 | 136,499.27 | 672,611.94 | 89.4% |
| Long-term liabilities | 64,529.57 | 17,756.78 | 82,286.35 | 15.4% | 61,707.77 | 17,775.22 | 79,482.99 | 10.6% |
| Total liabilities | 378,081.98 | 155,456.01 | 533,537.99 | 100.0% | 597,820.44 | 154,274.49 | 752,094.93 | 100.0% |
| Net assets: | | | | | | | | |
| Invested in capital assets | 4,835,631.77 | 3,708,600.93 | 8,544,232.70 | 71.1% | 3,847,071.61 | 2,435,142.42 | 6,282,214.03 | 53.1% |
| Restricted | 1,077,748.76 | 95,229.16 | 1,172,977.92 | 9.8% | 936,175.49 | 94,789.40 | 1,030,964.89 | 8.7% |
| Unassigned | 752,549.71 | 1,551,895.72 | 2,304,445.43 | 19.1% | 1,777,309.72 | 2,743,774.04 | 4,521,083.76 | 38.2% |
| Total net assets | 6,665,930.24 | 5,355,725.81 | 12,021,656.05 | 100.0% | 6,560,556.82 | 5,273,705.86 | 11,834,262.68 | 100.0% |

## Summary of Revenues, Expenses and Changes in Net Assets

| | For the year ended August 31, 2012 | | | | For the year ended August 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | % of Total | Governmental Activities | Business-type Activities | Total | % of Total |
| Revenues | | | | | | | | |
| Program: | | | | | | | | |
| Charges for services | 527,494.95 | 1,464,670.50 | 1,992,165.45 | 32.29% | 527,641.97 | 2,012,623.45 | 2,540,265.42 | 43.15% |
| Operating grants | 198,662.22 | 0.00 | 198,662.22 | 3.22% | 189,059.66 | 0.00 | 189,059.66 | 3.21% |
| Capital grants | 1,175,233.62 | 0.00 | 1,175,233.62 | 19.05% | 100,600.00 | 0.00 | 100,600.00 | 1.71% |
| General: | | | | | | | | |
| Taxes | 2,765,756.59 | 0.00 | 2,765,756.59 | 44.84% | 3,007,488.42 | 0.00 | 3,007,488.42 | 51.09% |
| Other | 20,475.45 | 16,400.37 | 36,875.82 | 0.60% | 31,601.69 | 17,611.53 | 49,213.22 | 0.84% |
| Total Revenues | 4,687,622.83 | 1,481,070.87 | 6,168,693.70 | 100.00% | 3,856,391.74 | 2,030,234.98 | 5,886,626.72 | 100.00% |
| Program Expenses | | | | | | | | |
| General government | 869,548.81 | 0.00 | 869,548.81 | 14.54% | 778,858.29 | 0.00 | 778,858.29 | 11.78% |
| Judicial | 17,574.79 | 0.00 | 17,574.79 | 0.29% | 18,391.64 | 0.00 | 18,391.64 | 0.28% |
| Public safety | 1,918,631.48 | 0.00 | 1,918,631.48 | 32.09% | 1,935,417.59 | 0.00 | 1,935,417.59 | 29.26% |
| Public works | 1,376,500.46 | 0.00 | 1,376,500.46 | 23.02% | 1,454,205.15 | 0.00 | 1,454,205.15 | 21.99% |
| Health and welfare | 0.00 | 0.00 | 0.00 | 0.00% | 2,958.01 | 0.00 | 2,958.01 | 0.04% |
| Culture and recreation | 193,689.67 | 0.00 | 193,689.67 | 3.24% | 226,037.90 | 0.00 | 226,037.90 | 3.42% |
| Housing and development | 204,554.20 | 0.00 | 204,554.20 | 3.42% | 456,228.04 | 0.00 | 456,228.04 | 6.90% |
| Natural gas service | 0.00 | 1,397,800.92 | 1,397,800.92 | 23.38% | 0.00 | 1,717,539.11 | 1,717,539.11 | 25.97% |
| Employment incentive financing | 0.00 | 1,250.00 | 1,250.00 | 0.02% | 0.00 | 23,868.15 | 23,868.15 | 0.36% |
| Total Expenses | 4,580,499.41 | 1,399,050.92 | 5,979,550.33 | 100.00% | 4,872,096.62 | 1,741,407.26 | 6,613,503.88 | 100.00% |
| Change in Net Assets | 107,123.42 | 82,019.95 | 189,143.37 | | (1,015,704.88) | 288,827.72 | (726,877.16) | |
| Net Assets at Beginning of Year | 6,560,556.82 | 5,273,705.86 | 11,834,262.68 | | 7,576,261.70 | 4,984,878.14 | 12,561,139.84 | |
| Prior Period Adjustment | (1,750.00) | 0.00 | (1,750.00) | | 0.00 | 0.00 | 0.00 | |
| Net Assets at End of Year | 6,665,930.24 | 5,355,725.81 | 12,021,656.05 | | 6,560,556.82 | 5,273,705.86 | 11,834,262.68 | |

## Financial Analysis of Individual City Funds

The greatest influence which can be exercised by elected officials and administrators (management) is on the operations of the General Fund and the Natural Gas (enterprise) Fund. In contrast, special revenue funds and capital project funds, by definition, must adhere to specific mandates regarding their sources of revenue and purposes of expenditures. Thus, to a large extent, management of these funds is guided by these mandates.

In addition to analysis, tables summarizing activity and changes in fund balance are presented for each of the City's major funds, on the following pages.

### *Governmental Funds*

During fiscal year 2012, the City's governmental funds included the General Fund, four special revenue funds and four capital projects funds. As previously noted, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

### The General Fund

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. Financial statements of the General Fund may be found beginning on page 36.

**Summary of General Fund Activity and Changes in Fund Balance - Budget and Actual**

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Total Revenues | 4,394,267.00 | 4,289,827.00 | 3,496,591.55 | (793,235.45) | 3,681,923.27 |
| Total Expenditures | 4,424,267.00 | 4,319,827.00 | 4,170,621.17 | (149,205.83) | 4,230,734.59 |
| Excess (Deficiency) of Revenues | (30,000.00) | (30,000.00) | (674,029.62) | (644,029.62) | (548,811.32) |
| Operating Transfers In (Out) | 10,000.00 | 10,000.00 | (7,658.83) | (17,658.83) | 10,000.00 |
| Allocation of Fund Balance | 20,000.00 | 20,000.00 | 0.00 | (20,000.00) | 0.00 |
| Net Change in Fund Balance | 0.00 | 0.00 | (681,688.45) | (681,688.45) | (538,811.32) |
| Fund Balance at Beginning of Year | | | 1,362,921.77 | | 1,901,733.09 |
| Fund Balance at End of Year | | | 681,233.32 | | 1,362,921.77 |

Fiscal year 2012 marks the fourth year of decreased General Fund revenues. From 2011 to 2012, revenues declined 5%. Taxes, the General Fund's greatest source of revenue, decreased by 8% due to a decline in local option sales tax revenues. Expenditures, on the other hand, were reduced for the second consecutive year. 2012 was typical in that the greatest portion of General Fund expenditures supports public safety (45%) and public works (29%). During the year, recognition of decreased revenues spurred budget reductions. As may be expected, variations occurred between budget amounts and actual results. Expenditures did not exceed the final budget for any General Fund functions.

Fund balance was decreased by $681,688.45 as a result of activities. This is a decline of 50%. It follows a decline of 28% in fiscal year 2011 and 34% in fiscal year 2010. Of the remaining fund balance at August 31, 2012, a deficit amount of $190,130.75, is unassigned. The City Council has adopted financial policies which establish a reserve for contingencies/emergencies; the policy on stabilization funds calls for 10% of budgeted operating

expenditures plus 10% of budgeted general government expenditures to be held in reserve. In addition, the General Fund holds certificates of deposits which are restricted for capital outlay.

### *Special Revenue Funds*

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City utilizes four special revenue funds; of these, only the Capital Reserve Fund is a major fund. Summary information on each fund follows.

**The Capital Reserve Fund** – A major fund, the Capital Reserve Fund, as the name implies, serves to preserve capital and to expend investment earnings, according to ordinance. The corpus of this fund was established by preserving the initial 12 months' proceeds of local option sales tax collections. These proceeds are invested in bank certificates of deposit. Interest earnings are expended for cemetery care; to support local, non-profit, civic organizations; and to support other operations of City government.

The Capital Reserve Fund, fund balance is reserved for program purposes. Specifically, a City Council resolution reserves a portion of these funds for emergencies, as defined in the resolution. Further, expenditure of the final $500,000.00 requires a local referendum.

**Summary of Capital Reserve Fund Activity and Changes in Fund Balance - Budget and Actual**

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Total Revenues | 0.00 | 0.00 | 12,437.97 | 12,437.97 | 17,335.60 |
| Total Expenditures | 0.00 | 0.00 | 0.00 | 0.00 | 32,863.54 |
| Excess (Deficiency) of Revenues | 0.00 | 0.00 | 12,437.97 | 12,437.97 | (15,527.94) |
| Operating Transfers Out | 0.00 | 0.00 | 0.00 | 0.00 | (10,000.00) |
| Net Change in Fund Balance | 0.00 | 0.00 | 12,437.97 | 12,437.97 | (25,527.94) |
| Fund Balance At Beginning of Year | | | 982,699.23 | | 1,008,227.17 |
| Fund Balance At End of Year | | | 995,137.20 | | 982,699.23 |

As the Capital Reserve Fund's certificates of deposit matured during the course of the year, they renewed at lower interest rates. As compared to the prior year, revenues decreased by 28% following a decrease of 40% in fiscal 2011. Consequently, no expenditures were budgeted or made from this fund. Capital Reserve Fund Financial Statements may be found beginning on page 45.

**Nonmajor Special Revenue Funds** – These funds serve citizenry in very focused ways. Collectively, their financial proportion is small as compared to the government as a whole. The combined fund balances of the City's three nonmajor special revenue funds, $33,102.34, comprise just 1.7% of total governmental fund balances. Combining and individual fund financial statements begin on page 47.

- The **Hotel / Motel Tax Fund** serves to account for taxes collected on overnight lodging rentals. These taxes are collected and expended in accordance with Georgia law. Consequently, a minimum of forty per cent of tax proceeds must be committed to promoting tourism. Over and above the minimum, 100% of expenditures were directed toward promoting tourism during fiscal year 2012. Financial statements of the Hotel / Motel Tax Fund begin on page 49.

- The **Police Condemnation Fund** serves to account for net proceeds of confiscated items which were seized in drug related crimes. Expenditures are legally restricted to purchases of law enforcement materials and equipment. The Police Condemnation Fund financial statements begin on page 51.

- The **Youth Services Grant Fund** serves to account for grant proceeds which are designated, to support youth and families. The Youth Services Grant Fund financial statements begin on page 53.

### *Capital Projects Funds*

Capital Projects Funds are used to account for financial resources which are dedicated to the acquisition or construction of capital facilities (other than those financed by proprietary funds). These funds are created and presented in the financial statements for the life of their project(s). Capital Projects Funds utilize project based (rather than annual) budgets. Their fund balances are reserved in accordance with the sales tax referendum or grant agreements. During this fiscal year, the City used four capital projects funds to account for intergovernmental revenues generated by sales tax proceeds and capital grant proceeds. Of these four funds, only the Special Purpose Local Option Sales Tax (SPLOST) #2 Fund is a major fund.

**Special Purpose Local Option Sales Tax Funds** – Each SPLOST Fund, #1 and #2, is used to account for special purpose local option sales taxes which are collected as a result of voter approved, county resolutions. Proceeds are shared with the City for municipal projects, as specified in separate intergovernmental agreements. Consequently, expenditures are made in accordance with the respective agreement, and the fund balance is reserved for specified projects. In addition to the fund financial statements, a schedule of projects constructed with special sales tax proceeds may be found on page 88. Also, summary information may be found in the notes to the financial statements, note 3-I.

**SPLOST #1 Fund** - Collections of this tax began in October 2005. The amount of collections designated for City projects, in the referendum, were fully collected in February 2009. With the exception of interest earnings on the checking account balance, activity in this fund consists of expenditures of the remaining proceeds from this tax. As virtually all proceeds were expended in fiscal year 2012, this fund will be closed in fiscal year 2013. Financial statements for the SPLOST # 1 Fund may be found beginning on page 60.

**SPLOST #2 Fund, major fund** - The City first received proceeds of this tax in January 2012. Collections of this tax are authorized for five years. During this period the City may receive up to $6,000,000. In accordance with the referendum, the proceeds of the current tax are to be expended for

- construction of roads, bridges, culverts and sidewalks
- a downtown parking lot
- police cars and fire department tanker truck
- heavy equipment for road work
- sewer repairs
- shop roof replacement and renovations of water works building
- extension of natural gas lines
- park development

Financial statements for the SPLOST # 2 Fund may be found beginning on page 56.

**Community Development Block Grant Funds** – These funds are used to account for the proceeds of federal grants. Typically, grant proceeds are drawn down to pay for project costs as the work progresses. Draw downs are paid out almost immediately. Thus, revenues and expenditures are roughly equal, and fund balance is minimal.

**Community Development Block Grant Fund #6** – Grant funding for this infrastructure project totaled $412,697. The project budget was $732,197. Remaining costs were met by the City with matching and in-kind participation.

Completed in this fiscal year, the work improved streets, drainage, water and sewer lines. Financial statements for the CDBG #6 Fund may be found beginning on page 62.

**Community Development Block Grant Fund #7 –** This award, of $500,000, will augment costs of another (separate from the project described for the CDBG #6 Fund) streets and drainage improvement project. Total anticipated costs are $722,300. Construction was underway at year end. Financial statements for the CDBG #7 Fund may be found beginning on page 66.

### *Proprietary Funds*

Proprietary funds are used to account for activities which are financed, in whole or in part, with user fees charged to external customers for services provided. Two City operations utilize proprietary fund accounting. Of these, the Natural Gas Fund is a major fund.

The **Natural Gas Fund –** is used to account for the provision of natural gas services. Financial statements may be found beginning on page 71. A summary of Natural Gas Fund activity and changes in fund balance is presented as follows.

Natural Gas Fund Summary of Activity and Changes in Net Assets

| | 2012 | 2011 |
|---|---|---|
| Operating Revenues | 1,468,780.57 | 2,014,518.99 |
| Operating Expenses | 1,397,800.92 | 1,592,789.12 |
| Operating Income (Loss) | 70,979.65 | 421,729.87 |
| Non-operating Revenues (Expenses) | 10,600.54 | (110,952.70) |
| Change in Net Assets | 81,580.19 | 310,777.17 |
| Net Assets at Beginning of Year | 5,178,916.46 | 4,868,139.29 |
| Net Assets at End of Year | 5,260,496.65 | 5,178,916.46 |

As the above table shows, operating revenues declined significantly. Natural gas sales provide the bulk of operating revenues. Because gas usage is largely determined by residential and commercial heating needs, sales fluctuate with the weather. The 2011 – 2012 winter was mild. As a result, gas sales declined. A concurrent reduction in operating expenses permitted a modest increase in net assets.

In comparing two years activity, it should be noted that the 2011 activity included a special item. A very high accounts receivable write-off is included in non-operating expenses. The bankruptcy of a high use customer resulted in an accounts receivable write off of $124,570. This amount is roughly five times greater than the total of all accounts written off in a single year. Thus, it is presented separately from operations as a special item.

As in the General Fund, the stabilization funds policy designates 10% of total budgeted operating expenses for stabilization. Thus, $273,682 of net assets is committed at the fund reporting level.

During 2011, construction began on a major gas line extension. The City is extending service to businesses and residences in the Lake Oconee area. Construction neared completion at the 2012 year end. The costs of this extension are classified as construction in process. These costs increased the amount of net capital assets by 52%.

The **Revolving Loan Fund –** is used to account for monies provided through a Community Development Block Grant Employment Incentive Program to finance low interest loans to local businesses and industries. The

program is structured to increase the amount available for loans with the interest earned on loans. Individual fund financial statements may be found beginning on page 74. In addition, details on loan activity may be found in the notes to the financial statements, note 4-H.

During fiscal year 2012, the fund's only outstanding loan has fallen behind its repayment schedule. Because the amounts of eventual collections or possible losses cannot be estimated, no provision for such is recorded in the financial statements.

### *Capital Assets*

The following schedule summarizes capital assets used in both governmental and business activities at the current and previous year ends.

| Capital Assets | Governmental Activities | | Business Activities | | Total | |
|---|---|---|---|---|---|---|
| | 8/31/2012 | 8/31/2011 | 8/31/2012 | 8/31/2011 | 8/31/2012 | 8/31/2011 |
| Total non-depreciable assets | 1,512,887.60 | 243,877.90 | 2,238,686.28 | 845,791.00 | 3,751,573.88 | 1,089,668.90 |
| Total depreciable assets | 5,928,457.35 | 5,923,857.62 | 4,053,146.85 | 4,093,018.85 | 9,981,604.20 | 10,016,876.47 |
| Less accumulated depreciation | 2,605,713.18 | 2,320,663.91 | 2,583,232.20 | 2,503,667.43 | 5,188,945.38 | 4,824,331.34 |
| Book value - depreciable assets | 3,322,744.17 | 3,603,193.71 | 1,469,914.65 | 1,589,351.42 | 4,792,658.82 | 5,192,545.13 |
| Percentage depreciated | 44.0% | 39.2% | 63.7% | 61.2% | 52.0% | 48.2% |
| Book value assets | 4,835,631.77 | 3,847,071.61 | 3,708,600.93 | 2,435,142.42 | 8,544,232.70 | 6,282,214.03 |

Both governmental and business-type activities show significant increases in non-depreciable assets. In each case, construction in process is the primary reason for the increase. As noted previously, road and drainage projects (governmental activities) and a gas main extension (business-type activities) are underway. In addition, a contribution of land, by a citizen to the city, increased governmental non-depreciable assets. As construction projects are completed, they will be reclassified as depreciable assets. Business capital assets are entirely those assets of the Natural Gas Fund. More information on changes in capital assets is presented in the notes to the financial statements (Note 3-C).

## Long-term Debt

At year end, the only long-term liability carried by the City is for compensated absences payable. More information about changes in the estimate of compensated absences payable may be found in the notes to the financial statements (Note 3-E).

## Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City of Eatonton's finances; comply with finance-related laws and regulations; and demonstrate the City's commitment to public accountability. If you have questions about any of the information provided in this report or would like to request additional information, contact the City Administrator, City of Eatonton, P.O. Box 3820, Eatonton, Georgia 31024.

# Government-wide Financial Statements

CITY OF EATONTON, GEORGIA

STATEMENT OF NET ASSETS

AUGUST 31, 2012

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Component Unit |
| **Assets** | | | | |
| Current Assets: | | | | |
| Cash | 323,784.71 | 999,287.64 | 1,323,072.35 | 3,758.96 |
| Receivables: | | | | |
| Accounts, Net of Allowance for Doubtful Accounts | 18,743.48 | 20,974.29 | 39,717.77 | 0.00 |
| Taxes | 775.81 | 0.00 | 775.81 | 0.00 |
| Note | 0.00 | 20,458.84 | 20,458.84 | 0.00 |
| Intergovernmental | 311,613.08 | 0.00 | 311,613.08 | 0.00 |
| Time Certificates of Deposit | 1,202,500.00 | 761,860.12 | 1,964,360.12 | 0.00 |
| Restricted Assets | 350,963.37 | 0.00 | 350,963.37 | 0.00 |
| Capital Assets: | | | | |
| Nondepreciable Capital Assets | 1,512,887.60 | 2,238,686.28 | 3,751,573.88 | 251,075.64 |
| Depreciable Capital Assets, Net Accumulated Depreciation | 3,322,744.17 | 1,469,914.65 | 4,792,658.82 | 0.00 |
| Total Assets | 7,044,012.22 | 5,511,181.82 | 12,555,194.04 | 254,834.60 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 242,288.46 | 33,945.81 | 276,234.27 | 0.00 |
| Accrued Wages | 20,937.94 | 0.00 | 20,937.94 | 0.00 |
| Deposits | 34,193.62 | 99,314.23 | 133,507.85 | 0.00 |
| Current Portion of Compensated Absences Payable | 16,132.39 | 4,439.19 | 20,571.58 | 0.00 |
| Long-Term Liabilities, Net of Current Portion: | | | | |
| Compensated Absences Payable | 64,529.57 | 17,756.78 | 82,286.35 | 0.00 |
| Total Liabilities | 378,081.98 | 155,456.01 | 533,537.99 | 0.00 |
| **Net Assets** | | | | |
| Invested in Capital Assets | 4,835,631.77 | 3,708,600.93 | 8,544,232.70 | 251,075.64 |
| Restricted for Capital Outlay | 552,450.94 | 0.00 | 552,450.94 | 0.00 |
| Restricted for Emergencies | 500,000.00 | 0.00 | 500,000.00 | 0.00 |
| Restricted for Grant Purposes | 173.26 | 0.00 | 173.26 | 0.00 |
| Restricted for Program Purposes | 25,124.56 | 95,229.16 | 120,353.72 | 0.00 |
| Unrestricted | 752,549.71 | 1,551,895.72 | 2,304,445.43 | 3,758.96 |
| Total Net Assets | 6,665,930.24 | 5,355,725.81 | 12,021,656.05 | 254,834.60 |

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

| Function / Program | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|---|---|---|---|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Component Unit |
| Governmental Activities: | | | | | | | | |
| General Government | 869,548.81 | 954.65 | 0.00 | 0.00 | (868,594.16) | 0.00 | (868,594.16) | 0.00 |
| Judicial | 17,574.79 | 0.00 | 0.00 | 0.00 | (17,574.79) | 0.00 | (17,574.79) | 0.00 |
| Public Safety | 1,918,631.48 | 215,955.80 | 198,662.22 | 0.00 | (1,504,013.46) | 0.00 | (1,504,013.46) | 0.00 |
| Public Works | 1,376,500.46 | 212,342.30 | 0.00 | 1,056,738.62 | (107,419.54) | 0.00 | (107,419.54) | 0.00 |
| Culture and Recreation | 193,689.67 | 22,301.00 | 0.00 | 118,495.00 | (52,893.67) | 0.00 | (52,893.67) | 0.00 |
| Housing and Development | 204,554.20 | 75,941.20 | 0.00 | 0.00 | (128,613.00) | 0.00 | (128,613.00) | 0.00 |
| Total Governmental Activities | 4,580,499.41 | 527,494.95 | 198,662.22 | 1,175,233.62 | (2,679,108.62) | 0.00 | (2,679,108.62) | 0.00 |
| Business-Type Activities: | | | | | | | | |
| Natural Gas Service | 1,397,800.92 | 1,463,594.66 | 0.00 | 0.00 | 0.00 | 65,793.74 | 65,793.74 | 0.00 |
| Employment Incentive Financing | 1,250.00 | 1,075.84 | 0.00 | 0.00 | 0.00 | (174.16) | (174.16) | 0.00 |
| Total Business-Type Activities | 1,399,050.92 | 1,464,670.50 | 0.00 | 0.00 | 0.00 | 65,619.58 | 65,619.58 | 0.00 |
| Total Activities | 5,979,550.33 | 1,992,165.45 | 198,662.22 | 1,175,233.62 | (2,679,108.62) | 65,619.58 | (2,613,489.04) | 0.00 |
| Component Unit | 7,570.28 | 3,250.00 | 0.00 | 544.24 | 0.00 | 0.00 | 0.00 | (3,776.04) |
| General Revenues | | | | | | | | |
| Sales Taxes | | | | | 1,828,174.10 | 0.00 | 1,828,174.10 | 0.00 |
| Other Taxes | | | | | 937,582.49 | 0.00 | 937,582.49 | 0.00 |
| Interest Earnings | | | | | 20,475.45 | 11,214.46 | 31,689.91 | 0.00 |
| Other | | | | | 0.00 | 5,185.91 | 5,185.91 | 0.00 |
| City Appropriation | | | | | 0.00 | 0.00 | 0.00 | 6,535.00 |
| Total General Revenues | | | | | 2,786,232.04 | 16,400.37 | 2,802,632.41 | 6,535.00 |
| Change in Net Assets | | | | | 107,123.42 | 82,019.95 | 189,143.37 | 2,758.96 |
| Net Assets at Beginning of Year | | | | | 6,560,556.82 | 5,273,705.86 | 11,834,262.68 | 0.00 |
| Prior Period Adjustment | | | | | (1,750.00) | 0.00 | (1,750.00) | 252,075.64 |
| Net Assets at End of Year | | | | | 6,665,930.24 | 5,355,725.81 | 12,021,656.05 | 254,834.60 |

The accompanying Notes are an integral part of this statement.

## Fund Financial Statements

CITY OF EATONTON, GEORGIA

GOVERNMENTAL FUNDS

BALANCE SHEET

AUGUST 31, 2012

| | General Fund | Capital Reserve Fund | Special Local Option Sales Tax #2 Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash | (3,646.68) | 9,387.20 | 282,246.62 | 35,797.57 | 323,784.71 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 18,570.54 | 0.00 | 0.00 | 172.94 | 18,743.48 |
| Taxes Receivable | 0.00 | 0.00 | 0.00 | 775.81 | 775.81 |
| Interfund Receivables | 2,280.14 | 0.00 | 0.00 | 0.00 | 2,280.14 |
| Intergovernmental Receivables | 311,613.08 | 0.00 | 0.00 | 0.00 | 311,613.08 |
| Time Certificates of Deposit | 215,000.00 | 987,500.00 | 0.00 | 0.00 | 1,202,500.00 |
| Restricted Assets: | | | | | |
| Time Certificates of Deposit | 350,963.37 | 0.00 | 0.00 | 0.00 | 350,963.37 |
| Total Assets | 894,780.45 | 996,887.20 | 282,246.62 | 36,746.32 | 2,210,660.59 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | 158,415.57 | 1,750.00 | 82,122.89 | 0.00 | 242,288.46 |
| Accrued Wages | 20,937.94 | 0.00 | 0.00 | 0.00 | 20,937.94 |
| Deposit | 34,193.62 | 0.00 | 0.00 | 0.00 | 34,193.62 |
| Interfund Payables | 0.00 | 0.00 | 0.00 | 2,280.14 | 2,280.14 |
| Total Liabilities | 213,547.13 | 1,750.00 | 82,122.89 | 2,280.14 | 299,700.16 |
| Fund Balance: | | | | | |
| Restricted | 350,963.37 | 500,000.00 | 200,123.73 | 26,661.66 | 1,077,748.76 |
| Committed | 520,400.70 | 495,137.20 | 0.00 | 0.00 | 1,015,537.90 |
| Assigned | 0.00 | 0.00 | 0.00 | 7,804.52 | 7,804.52 |
| Unassigned | (190,130.75) | 0.00 | 0.00 | 0.00 | (190,130.75) |
| Total Fund Balance | 681,233.32 | 995,137.20 | 200,123.73 | 34,466.18 | 1,910,960.43 |
| Total Liabilities and Fund Balance | 894,780.45 | 996,887.20 | 282,246.62 | 36,746.32 | 2,210,660.59 |

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET ASSETS

AUGUST 31, 2012

| | | |
|---|---|---|
| Total Governmental Fund Balances | | 1,910,960.43 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. However, in the statement of net assets the cost of these assets are capitalized and expensed over their estimated lives through annual depreciation expense. | | |
| Cost of capital assets | 7,441,344.95 | |
| Less accumulated depreciation | (2,605,713.18) | 4,835,631.77 |
| Compensated absences are not due and payable in the current period and therefore are not reported in the funds: | | (80,661.96) |
| Net Assets Of Governmental Activities | | 6,665,930.24 |

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED AUGUST 31, 2012

| | General Fund | Capital Reserve Fund | Special Local Option Sales Tax #2 Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Taxes | 2,755,275.50 | 0.00 | 0.00 | 10,481.09 | 2,765,756.59 |
| Licenses and Permits | 75,941.20 | 0.00 | 0.00 | 0.00 | 75,941.20 |
| Intergovernmental | 198,662.22 | 0.00 | 640,262.65 | 415,947.00 | 1,254,871.87 |
| Charges for Services | 227,294.65 | 0.00 | 0.00 | 0.00 | 227,294.65 |
| Fines and Forfeitures | 213,125.05 | 0.00 | 0.00 | 2,830.75 | 215,955.80 |
| Other | 26,292.93 | 12,437.97 | 260.69 | 316.13 | 39,307.72 |
| Total Revenues | 3,496,591.55 | 12,437.97 | 640,523.34 | 429,574.97 | 4,579,127.83 |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 823,085.77 | 0.00 | 0.00 | 0.00 | 823,085.77 |
| Judicial | 17,574.79 | 0.00 | 0.00 | 0.00 | 17,574.79 |
| Public Safety | 1,885,087.13 | 0.00 | 0.00 | 11,208.20 | 1,896,295.33 |
| Public Works | 1,205,251.96 | 0.00 | 0.00 | 414,877.00 | 1,620,128.96 |
| Health and Welfare | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Culture and Recreation | 128,756.38 | 0.00 | 0.00 | 0.00 | 128,756.38 |
| Housing and Development | 110,865.14 | 0.00 | 0.00 | 48,990.25 | 159,855.39 |
| Capital Outlay | 0.00 | 0.00 | 440,399.61 | 370,941.09 | 811,340.70 |
| Total Expenditures | 4,170,621.17 | 0.00 | 440,399.61 | 846,016.54 | 5,457,037.32 |
| Excess (Deficiency) of Revenues over Expenditures | (674,029.62) | 12,437.97 | 200,123.73 | (416,441.57) | (877,909.49) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | 0.00 | 0.00 | 0.00 | 7,658.83 | 7,658.83 |
| Transfers Out | (7,658.83) | 0.00 | 0.00 | 0.00 | (7,658.83) |
| Net Other Financing Sources | (7,658.83) | 0.00 | 0.00 | 7,658.83 | 0.00 |
| Net Change in Fund Balance | (681,688.45) | 12,437.97 | 200,123.73 | (408,782.74) | (877,909.49) |
| Fund Balance at Beginning of Year | 1,362,921.77 | 982,699.23 | 0.00 | 444,998.92 | 2,790,619.92 |
| Prior Period Adjustment | 0.00 | 0.00 | 0.00 | (1,750.00) | (1,750.00) |
| Fund Balance at End of Year | 681,233.32 | 995,137.20 | 200,123.73 | 34,466.18 | 1,910,960.43 |

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

| | | | |
|---|---|---|---|
| Net Changes In Fund Balances - Total Governmental Funds | | | (877,909.49) |
| Amounts reported for governmental activities in the statement of activities are different because: | | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. | | | |
| | Depreciation expense | (307,835.50) | |
| | Loss on disposal of capital asset | (3,688.77) | |
| | Real estate donation | 108,495.00 | |
| | Cost of capital assets acquired | 1,191,589.43 | 988,560.16 |
| Elimination of transfers between governmental funds: | | | |
| | Transfers in | (7,658.83) | |
| | Transfers out | 7,658.83 | 0.00 |
| Compensated absences reported in the statement of activities, do not require the use of current financial resources; therefore they are not reported as expenditures in governmental funds. | | | |
| | Liability at 8/31/11 | 77,134.71 | |
| | Liability at 8/31/12 | (80,661.96) | (3,527.25) |
| Change In Net Assets of Governmental Activities | | | 107,123.42 |

The accompanying notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

MAJOR GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

| | General Fund | | | | Capital Reserve Fund | | | |
|---|---|---|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Original Budget | Final Budget | Actual | Over (Under) Budget |
| Revenues | | | | | | | | |
| Taxes | 3,587,051.00 | 3,482,611.00 | 2,755,275.50 | (727,335.50) | 0.00 | 0.00 | 0.00 | 0.00 |
| Licenses and Permits | 76,000.00 | 76,000.00 | 75,941.20 | (58.80) | 0.00 | 0.00 | 0.00 | 0.00 |
| Intergovernmental Revenues | 150,000.00 | 150,000.00 | 198,662.22 | 48,662.22 | 0.00 | 0.00 | 0.00 | 0.00 |
| Charges for Services | 270,216.00 | 270,216.00 | 227,294.65 | (42,921.35) | 0.00 | 0.00 | 0.00 | 0.00 |
| Fines and Forfeitures | 260,000.00 | 260,000.00 | 213,125.05 | (46,874.95) | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 51,000.00 | 51,000.00 | 26,292.93 | (24,707.07) | 0.00 | 0.00 | 12,437.97 | 12,437.97 |
| Total Revenues | 4,394,267.00 | 4,289,827.00 | 3,496,591.55 | (793,235.45) | 0.00 | 0.00 | 12,437.97 | 12,437.97 |
| Expenditures | | | | | | | | |
| General Government | 882,075.00 | 833,075.00 | 823,085.77 | (9,989.23) | 0.00 | 0.00 | 0.00 | 0.00 |
| Judicial | 18,550.00 | 18,550.00 | 17,574.79 | (975.21) | 0.00 | 0.00 | 0.00 | 0.00 |
| Public Safety | 1,969,643.00 | 1,949,643.00 | 1,885,087.13 | (64,555.87) | 0.00 | 0.00 | 0.00 | 0.00 |
| Public Works | 1,295,707.00 | 1,259,707.00 | 1,205,251.96 | (54,455.04) | 0.00 | 0.00 | 0.00 | 0.00 |
| Health and Welfare | 4,361.00 | 4,361.00 | 0.00 | (4,361.00) | 0.00 | 0.00 | 0.00 | 0.00 |
| Culture and Recreation | 138,392.00 | 138,392.00 | 128,756.38 | (9,635.62) | 0.00 | 0.00 | 0.00 | 0.00 |
| Housing and Development | 115,539.00 | 116,099.00 | 110,865.14 | (5,233.86) | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Expenditures | 4,424,267.00 | 4,319,827.00 | 4,170,621.17 | (149,205.83) | 0.00 | 0.00 | 0.00 | 0.00 |
| Excess (Deficiency) of Revenues over Expenditures | (30,000.00) | (30,000.00) | (674,029.62) | (644,029.62) | 0.00 | 0.00 | 12,437.97 | 12,437.97 |
| Other Financing Sources (Uses) | | | | | | | | |
| Transfers In | 10,000.00 | 10,000.00 | 0.00 | (10,000.00) | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers Out | 0.00 | 0.00 | (7,658.83) | (7,658.83) | 0.00 | 0.00 | 0.00 | 0.00 |
| Allocation of Prior Year's Fund Balance | 20,000.00 | 20,000.00 | 0.00 | (20,000.00) | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Other Financing Sources | 30,000.00 | 30,000.00 | (7,658.83) | (37,658.83) | 0.00 | 0.00 | 0.00 | 0.00 |
| Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Uses | 0.00 | 0.00 | (681,688.45) | (681,688.45) | 0.00 | 0.00 | 12,437.97 | 12,437.97 |
| Fund Balance at Beginning of Year | | | 1,362,921.77 | | | | 982,699.23 | |
| Fund Balance at End of Year | | | 681,233.32 | | | | 995,137.20 | |

The accompanying notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

AUGUST 31,2012

| | Business-type Activities: Enterprise Funds | | |
|---|---|---|---|
| | Major Fund | Nonmajor Fund | |
| | Natural Gas Fund | Revolving Loan Fund | Total |
| **Assets** | | | |
| Current Assets | | | |
| Cash | 922,017.32 | 77,270.32 | 999,287.64 |
| Time Certificates of Deposit | 388,502.96 | 0.00 | 388,502.96 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 18,537.74 | 0.00 | 18,537.74 |
| Sales Tax Deposit | 2,436.55 | 0.00 | 2,436.55 |
| Note Receivable | 0.00 | 20,458.84 | 20,458.84 |
| Time Certificates of Deposit, Customer Deposits | 373,357.16 | 0.00 | 373,357.16 |
| Total Current Assets | 1,704,851.73 | 97,729.16 | 1,802,580.89 |
| Noncurrent Assets | | | |
| Capital Assets: | | | |
| Nondepreciable | 2,238,686.28 | 0.00 | 2,238,686.28 |
| Depreciable, Net Accumulated Depreciation | 1,469,914.65 | 0.00 | 1,469,914.65 |
| Total Noncurrent Assets | 3,708,600.93 | 0.00 | 3,708,600.93 |
| Total Assets | 5,413,452.66 | 97,729.16 | 5,511,181.82 |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Accounts Payable | 31,445.81 | 2,500.00 | 33,945.81 |
| Customer Deposits | 99,314.23 | 0.00 | 99,314.23 |
| Current Portion of Compensated Absences Payable | 4,439.19 | 0.00 | 4,439.19 |
| Total Current Liabilities | 135,199.23 | 2,500.00 | 137,699.23 |
| Long-Term Liabilities (Net of Current Portion) | | | |
| Compensated Absences Payable | 17,756.78 | 0.00 | 17,756.78 |
| Total Liabilities | 152,956.01 | 2,500.00 | 155,456.01 |
| **Net Assets** | | | |
| Invested in Capital Assets | 3,708,600.93 | 0.00 | 3,708,600.93 |
| Restricted for Program Purposes | 0.00 | 95,229.16 | 95,229.16 |
| Unrestricted Net Assets | 1,551,895.72 | 0.00 | 1,551,895.72 |
| Total Net Assets | 5,260,496.65 | 95,229.16 | 5,355,725.81 |

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2012

| | Business-type Activities: Enterprise Funds | | |
|---|---|---|---|
| | Major Fund | Nonmajor Fund | |
| | Natural Gas Fund | Revolving Loan Fund | Total |
| Operating Revenues | | | |
| Charges for Sales and Services | 1,463,594.66 | 1,075.84 | 1,464,670.50 |
| Miscellaneous | 5,185.91 | 0.00 | 5,185.91 |
| Total Operating Revenues | 1,468,780.57 | 1,075.84 | 1,469,856.41 |
| Operating Expenses | | | |
| Cost of Natural Gas | 729,591.56 | 0.00 | 729,591.56 |
| Personnel Services and Employee Benefits | 302,182.73 | 0.00 | 302,182.73 |
| Travel, Education and Training | 1,414.49 | 0.00 | 1,414.49 |
| Professional Services | 27,529.69 | 1,250.00 | 28,779.69 |
| Technical Services | 4,257.72 | 0.00 | 4,257.72 |
| Maintenance and Repairs - Vehicles and Equipment | 45,670.53 | 0.00 | 45,670.53 |
| Depreciation Expense | 121,536.77 | 0.00 | 121,536.77 |
| Insurance | 9,121.94 | 0.00 | 9,121.94 |
| Communications | 20,644.46 | 0.00 | 20,644.46 |
| Supplies, Hardware and Small Equipment | 81,678.12 | 0.00 | 81,678.12 |
| Gasoline | 22,326.23 | 0.00 | 22,326.23 |
| Utilities | 8,006.83 | 0.00 | 8,006.83 |
| Taxes | 23,839.85 | 0.00 | 23,839.85 |
| Total Operating Expenses | 1,397,800.92 | 1,250.00 | 1,399,050.92 |
| Operating Income (Loss) | 70,979.65 | (174.16) | 70,805.49 |
| Non-Operating Revenues (Expenses) | | | |
| Interest Income | 10,600.54 | 613.92 | 11,214.46 |
| Change in Net Assets | 81,580.19 | 439.76 | 82,019.95 |
| Net Assets at Beginning of Year | 5,178,916.46 | 94,789.40 | 5,273,705.86 |
| Net Assets at End of Year | 5,260,496.65 | 95,229.16 | 5,355,725.81 |

The accompanying Notes are an integral part of this statement.

CITY OF EATONTON, GEORGIA

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2012

| | Business-type Activities: Enterprise Funds | | |
|---|---|---|---|
| | Major Fund | Nonmajor Fund | |
| | Natural Gas Fund | Revolving Loan Fund | Total |
| Cash Flows from Operating Activities | | | |
| Cash Received from Customers | 1,493,464.20 | 1,230.36 | 1,494,694.56 |
| Cash Payments for Personnel Services | (302,205.78) | 0.00 | (302,205.78) |
| Cash Payments for Goods and Services | (977,274.35) | 0.00 | (977,274.35) |
| Net Cash Provided (Used) by Operating Activities | 213,984.07 | 1,230.36 | 215,214.43 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition and Construction of Capital Assets | (1,394,995.28) | 0.00 | (1,394,995.28) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (1,394,995.28) | 0.00 | (1,394,995.28) |
| Cash Flows from Investing Activities | | | |
| Earnings On Investments | 10,600.54 | 613.92 | 11,214.46 |
| (Increase) Decrease in Investments | (9,337.58) | 0.00 | (9,337.58) |
| Net Cash Flows From Investing Activities | 1,262.96 | 613.92 | 1,876.88 |
| Net Increase (Decrease) in Cash | (1,179,748.25) | 1,844.28 | (1,177,903.97) |
| Cash at Beginning of Year | 2,101,765.57 | 75,426.04 | 2,177,191.61 |
| Cash at End of Year | 922,017.32 | 77,270.32 | 999,287.64 |
| | | | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | | |
| Operating Income (Loss) | 70,979.65 | (174.16) | 70,805.49 |
| Adjustments: | | | |
| Depreciation | 121,536.77 | 0.00 | 121,536.77 |
| (Increase) Decrease in Assets: | | | |
| Accounts / Notes Receivable | 20,833.63 | 154.52 | 20,988.15 |
| Sales Tax Deposit | 702.50 | 0.00 | 702.50 |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | (3,895.43) | 1,250.00 | (2,645.43) |
| Customer Deposits | 3,850.00 | 0.00 | 3,850.00 |
| Accrued Liabilities | (23.05) | 0.00 | (23.05) |
| Net Cash Provided by (Used in) Operating Activities | 213,984.07 | 1,230.36 | 215,214.43 |

The accompanying Notes are an integral part of this statement.

## Notes to the Basic Financial Statements

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The City of Eatonton, Georgia (the City) operates under a Council / Mayor form of government and provides the following services: public safety, municipal court, highways and streets, sanitation, culture and recreation, public improvements, economic development and general administrative services.

## *Note 1 - Summary of Significant Accounting Policies*

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities at the government-wide financial reporting level and to its enterprise funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City's accounting policies are described below.

### *1-A. Reporting Entity*

A municipal governmental reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which a local government is financially accountable. The City is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) it is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves their budget, levies their taxes or issues their debt.

The City of Eatonton has one outside component unit: the Eatonton Downtown Development Authority (DDA). The Authority is organized in accordance with Georgia law for the redevelopment of the downtown development area, as defined by the City of Eatonton. The seven member board of directors is the policy-making body and may exercise all the powers and authority granted by law.

### *1-B. Basis of Presentation*

The City's basic financial statements consist of government-wide statements, fund financial statements and the notes to the financial statements. Additionally, combining and individual presentations are provided.

***Government-wide Financial Statements*** - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are aggregated as governmental and business-type activities. Governmental activities are those which are supported by taxes, grants and general revenues. Whereas, business-type activities are those which are financed in whole or in part with user fees charged to external customers.

The statement of net assets presents the financial position of the governmental and business-type activities of the City at year-end.

## *Note 1 - Summary of Significant Accounting Policies (continued)*

The statement of activities presents a comparison between direct expenses and program revenues for each function of governmental activities and for each identifiable activity of business-type activities. To provide this comparison, the statement of activities reports the expenses of a given function, offset by those revenues directly connected with the same, functional program.

A function is an assembly of similar activities. Portions of a fund or summaries of more than one fund may be included to express the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The City does not allocate indirect expenses to functions in the statement of activities.

Program revenues include: (1) charges for services which report fees and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function a program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted.*

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** - A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City segregates transactions related to certain functions or activities in separate funds. Organizing transactions in this way aids financial management and insures compliance with appropriate accounting, funding and legal requirements.

Fund financial statements are designed to present financial information at a more detailed level than government-wide presentation. Separate fund financial statements are provided for governmental and proprietary funds. In these statements major individual funds are reported in separate columns.

- ***Governmental Funds*** - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The following are the City's major governmental funds:

    - ***The General Fund*** accounts for all financial resources except those required to be accounted for in another fund. The general fund's fund balance is available to the City for any purpose, provided it is expended or transferred according to the general laws of Georgia.
    - ***The Capital Reserve Fund,*** a special revenue fund, was formed for capital preservation and to provide a buffer against emergencies. Restricted and committed funds are invested in bank certificates of deposits. The interest generated by these investments provides operating revenues. Expenditures are limited, by ordinance, for emergencies, grants to non-profit organizations, cemetery care and for other operations of city government.
    - ***The Special Local Option Sales Tax Fund #2,*** a capital projects fund, accounts for the City's portion of collections of County sales tax, according to the terms of the intergovernmental agreement between the City and the County. Proceeds are expended according to the terms of the referendum which authorized the tax.

## *Note 1 – Summary of Significant Accounting Policies (continued)*

- ***Proprietary Funds*** - Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The proprietary funds are classified as enterprise funds. The following is the single, major enterprise fund:

    - ***The Natural Gas Fund*** – accounts for the operation of the City's natural gas system.

### *1-C. Measurement Focus*

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net assets. The statement of activities reports revenues and expenses.

***Fund Financial Statements*** – include two distinct measurement focuses, which are applied based on fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements provide a reconciliation to the government-wide statements. The reconciliations include brief explanations of the differences between the government-wide statements and the governmental fund statements.

Proprietary fund types are accounted for on a flow of economic resources measurement focus, at both the government-wide and fund reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net assets. The statements of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

### *1-D. Basis of Accounting*

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues – Exchange Transactions*** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

***Revenues - Non-exchange Transactions*** - Non-exchange transactions in which the City receives value without directly giving equal value in return, include sales taxes, grants and donations. On an accrual basis, revenue from

## *Note 1 - Summary of Significant Accounting Policies (continued)*

sales taxes is recognized in the period in which the taxable sale takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue source is considered to be susceptible to accrual: sales taxes.

***Expenses/Expenditures*** - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

### *1-E. Assets, Liabilities and Fund Equity*

#### *1-E-1 Cash, Cash Equivalents and Investments*

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

Investments are stated at fair value based on quoted market prices. Georgia law authorizes the City to invest in the following type of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or Government agency
- Obligations of any corporation of the United States Government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

#### *1-E-2 Receivables*

All trade receivables are reported net of an allowance for uncollectibles, where applicable.

#### *1-E-3 Interfund Balances*

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/interfund payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

## *Note 1 – Summary of Significant Accounting Policies (continued)*

### *1-E-4 Prepaid Items*

Payments made to vendors for services that will benefit periods beyond August 31, 2012, are recorded as prepaid items. The consumption method is used by recording an asset for the prepaid amount and by recording the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is denoted as nonspendable, because this amount is not available for general appropriation.

### *1-E-5 Consumable Inventories*

Consumable inventories of supplies and small tools and hardware are recorded as expenditures/expenses when acquired.

### *1-E-6 Restricted Assets*

Through local resolution, assets are restricted for capital expenditures in the General Fund.

### *1-E-7 Capital Assets*

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the enterprise funds' statement of net assets.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend an asset's life, are expensed. Interest incurred during the construction of capital assets utilized by enterprise funds is capitalized. The current capitalization threshold for newly acquired assets is $5,000; all acquisitions of land and titled vehicles or equipment are capitalized, even if the cost is less than $5,000. General infrastructure assets acquired prior to September 1, 2003 are not reported in the basic financial statements.

All reported capital assets are depreciated except for land and any construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| | Estimated Lives | |
|---|---|---|
| Asset Class | Governmental Activities | Business-type Activities |
| Buildings and improvements | 10-30 Years | 10 Years |
| Machinery and equipment | 3-12 Years | 3-12 Years |
| Vehicles | 3-5 Years | 3-5 Years |
| Infrastructure | 10-50 Years | 10-50 Years |

## *Note 1 – Summary of Significant Accounting Policies (continued)*

### *1-E-8 Compensated Absences*

Vacation benefits are accrued as a liability as the benefits are earned. City employees may accumulate between 6 and 18 days of vacation annually, up to a maximum of 30 days. The resulting liability includes salary-related payments (the City's portion of social security and Medicare). It is calculated using current pay rates.

Employees may also accumulate sick leave. No liability has been recorded for accumulated sick pay benefits because payment is made only upon the illness of an employee. As such, the amount of payments cannot be reasonably estimated.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each, individual fund at the fund reporting level.

### *1-E-9 Accrued Liabilities and Long-term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds.

### *1-E-10 Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

*Governmental Funds* ***Fund Balance*** – Generally, fund balance represents the difference between the current assets and current liabilities. In the governmental fund financial statements, this balance is classified according to constraints regarding the specific purposes for which the fund balance may be spent. The classifications are presented in a hierarchy, which is based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of resources. The City presents the following fund balance classifications.

- *Nonspendable* – This describes fund balance amounts which cannot be spent because (1) they are non-cash assets, or (2) because they are legally or contractually required to be maintained intact.
- *Restricted* - Fund balances are reported as restricted when there are limitations imposed on their use either by (1) enabling legislation adopted by the City, or by (2) external restrictions imposed by creditors and grantors, or by the laws or regulations of other governments.
- *Committed* – When, as the result of a vote by the City Council (the government's highest level of decision making authority), monies may be used only for specific purposes, the fund balance is committed. Only a council vote may subsequently modify or rescind the commitment.
- *Assigned* – Through resolution, the City Council may authorize management or the finance committee to constrain balances for specific purposes. Such amounts are neither restricted nor committed; they are assigned.
- *Unassigned* – Residual amounts, which do not meet any of the above criteria, are reported as unassigned. Due to the nature of governmental funds, the City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

The components of all fund balances are detailed in Note 3-H-2.

## *Note 1 – Summary of Significant Accounting Policies (continued)*

***Flow Assumptions*** - The City applies restricted resources first, when an expenditure or expense is incurred for purposes for which both restricted and unrestricted fund balance or net assets are available. Further, when an expenditure is incurred for purposes of unrestricted, constrained fund balance, the City uses fund balance in the following order: (1) committed, (2) assigned, (3) unassigned.

*Proprietary Funds* ***Net Assets*** - Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when they are so designated by action of the City Council. All other net assets are reported as unrestricted.

Net assets invested in capital assets, net of related debt, consists of capital assets, less accumulated depreciation, and further reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. When applicable, net assets are adjusted by any bond issuance deferral amounts.

***Stabilization commitments*** are based on budgeted expenditures for the General Fund and the Natural Gas Fund. Respectively, these amounts were $520,401 and $273,682 at August 31, 2012. These commitments may be revised by action of the City Council.

### *1-E-11 Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. These revenues are charges for utility services provided through the Natural Gas Fund and for interest revenues generated by loans extended through the Revolving Loan Fund. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of each fund. In contrast, all other revenues and expenditures, which are unrelated to the primary activity, are classified as non-operating.

### *1-E-12 Contributions of Capital*

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### *1-F. Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and the after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements (i.e., they are netted).

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

## *Note 1 – Summary of Significant Accounting Policies (continued)*

### *1-G. Estimates*

The preparation of the financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## *Note 2 – Stewardship, Compliance and Accountability*

### *2-A. Budgetary Information*

The City adopts an annual operating budget for the general fund and each special revenue fund. Original and final budgets are presented for these funds. A project budget is adopted for each capital projects fund, with budget presentation for the entire project period rather than an annual period. All budgets are adopted on a basis consistent with GAAP.

The legal level of control for each adopted annual operating budget, generally, is the department level within each individual fund. Accordingly the budget resolution reflects the total of each department's appropriation within each fund. Any change in total to a fund or departmental appropriation within a fund requires approval of the City Council. Department directors are authorized to transfer line item appropriations within a single department. Only action of Council may authorize the employment of additional personnel. The City does not use encumbrance accounting; all unexpended annual appropriations lapse at year-end.

### *2-B. Excess of Expenditures over Appropriations*

There were no instances of expenditures exceeding the final budget at the fund or function level.

## *Note 3 - Detailed Notes on All Funds*

### *3-A. Deposits and Investments*

The City does not have a policy regarding management of risk for deposits or investments.

***Deposits*** - Custodial risk for deposits is the risk that, in the event of financial institution failure, a depositor will not be able to recover deposits or collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

At August 31, 2012, all City deposits were entirely insured or collateralized with securities held by the City or by its agent in the City's name. This is true of the component unit as well.

***Investments*** – Custodial risk for investments is the risk that, in the event of the failure of the counterparty, an investor will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. All investments held by the City at August 31, 2011 are in the form of bank certificates of deposit. Certificates with maturity periods greater than 90 days are classified as investments.

## *Note 3 – Detailed Notes on All Funds (continued)*

At August 31, 2012, all City investments were entirely insured or collateralized with securities held by the City or by its agent in the City's name.

### *3-B. Receivables*

Receivables at August 31, 2012, consisted of taxes, accounts, notes and intergovernmental receivables arising from hotel/motel tax collections, sales tax collections, utility service accounts, notes receivable and intergovernmental grant agreements. Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and are substantiated. These are substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

### *3-C. Capital Assets*

Capital asset activity for the year ended August 31, 2012 is presented in the following tables.

**Changes in Governmental Capital Assets**

| Governmental activities: | 8/31/2011 | Additions | Deductions | 8/31/2012 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | 159,050.90 | 108,495.00 | 0.00 | 267,545.90 |
| Construction in progress | 84,827.00 | 1,160,514.70 | 0.00 | 1,245,341.70 |
| Total non-depreciable capital assets | 243,877.90 | 1,269,009.70 | 0.00 | 1,512,887.60 |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 2,614,001.34 | 0.00 | 0.00 | 2,614,001.34 |
| Furniture, fixtures, machinery and equipment | 1,254,743.06 | 31,074.73 | (26,475.00) | 1,259,342.79 |
| Infrastructure | 2,055,113.22 | 0.00 | 0.00 | 2,055,113.22 |
| Total depreciable capital assets | 5,923,857.62 | 31,074.73 | (26,475.00) | 5,928,457.35 |
| Total capital assets | 6,167,735.52 | 1,300,084.43 | (26,475.00) | 7,441,344.95 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 600,992.43 | 100,132.11 | 0.00 | 701,124.54 |
| Furniture, fixtures, machinery and equipment | 899,183.29 | 71,509.17 | (22,786.23) | 947,906.23 |
| Infrastructure | 820,488.19 | 136,194.22 | 0.00 | 956,682.41 |
| Total accumulated depreciation | 2,320,663.91 | 307,835.50 | (22,786.23) | 2,605,713.18 |
| Governmental activities capital assets, net | 3,847,071.61 | 992,248.93 | (3,688.77) | 4,835,631.77 |

The component unit owns one capital asset, a parcel of land. Thus, it is not depreciated. There was no change in the component unit's capital assets during the year.

## *Note 3 - Detailed Notes on All Funds (continued)*

| Governmental Activities Depreciation Expense | |
|---|---|
| General Government | 43,798.23 |
| Public Safety | 32,956.38 |
| Public Works | 121,447.82 |
| Culture and Recreation | 65,173.05 |
| Housing and Development | 44,460.02 |
| Total Governmental Activities Depreciation Expense | 307,835.50 |

**Changes in Proprietary Funds Capital Assets**

| Business-type activities: | 8/31/2011 | Additions | Deductions | 8/31/2012 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | 26,500.00 | 22,000.00 | 0.00 | 48,500.00 |
| Intangible Assets | 18,424.00 | 0.00 | 0.00 | 18,424.00 |
| Construction in progress | 800,867.00 | 1,370,895.28 | 0.00 | 2,171,762.28 |
| Total non-depreciable capital assets | 845,791.00 | 1,392,895.28 | 0.00 | 2,238,686.28 |
| Depreciable capital assets: | | | | |
| Furniture, fixtures, machinery and equipment | 576,421.83 | 2,100.00 | (41,972.00) | 536,549.83 |
| Infrastructure | 3,516,597.02 | 0.00 | 0.00 | 3,516,597.02 |
| Total depreciable capital assets | 4,093,018.85 | 2,100.00 | (41,972.00) | 4,053,146.85 |
| Total capital assets | 4,938,809.85 | 1,394,995.28 | (41,972.00) | 6,291,833.13 |
| Accumulated depreciation: | | | | |
| Furniture, fixtures, machinery and equipment | 486,225.15 | 23,436.32 | (41,972.00) | 467,689.47 |
| Infrastructure | 2,017,442.28 | 98,100.45 | 0.00 | 2,115,542.73 |
| Total accumulated depreciation | 2,503,667.43 | 121,536.77 | (41,972.00) | 2,583,232.20 |
| Business-type activities capital assets, net | 2,435,142.42 | 1,273,458.51 | 0.00 | 3,708,600.93 |

### *3-D. – Interfund Balances and Transfers*

***Interfund Balances*** - Interfund balances at August 31, 2012, represent reimbursable expenses. These balances result from a short-term loan extended by the General Fund to the Police Condemnation Fund ($2,280.14, for collected and unremitted non-seizure revenues). The Police Condemnation Fund is a non-major special revenue fund. Repayment in full was made after year end.

***Interfund Transfers*** - Interfund transfers for the year ended August 31, 2012, resulted from reclassification of expenditures from special revenue funds to the General Fund. The General Fund reimbursed expenditures of $3,117.00 to the Police Condemnation Fund and $4,541.83 to the Youth Services Grant Fund.

### *3-E. Long-Term Debt*

Estimated compensated absences payable comprises all long-term debt for the City. A schedule of annual changes is presented on the following page.

## *Note 3 - Detailed Notes on All Funds (continued)*

**Changes in Compensated Absences Payable for the Year Ended August 31, 2012**

| | 8/31/2011 Obligation | + Additions | - Reductions | = 8/31/2012 Obligation | = 8/31/2012 Current | + 8/31/2012 Long Term |
|---|---|---|---|---|---|---|
| General Fund | 77,134.70 | 5,961.16 | 2,433.90 | 80,661.96 | 16,132.39 | 64,529.57 |
| Natural Gas Fund | 22,219.02 | 0.00 | 23.05 | 22,195.97 | 4,439.19 | 17,756.78 |
| Totals | 99,353.72 | 5,961.16 | 2,456.95 | 102,857.93 | 20,571.58 | 82,286.35 |

### *3-F. Defined Benefit Pension Plan*

***Plan Description.*** The City contributes to the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for municipalities in Georgia. All full-time City employees are eligible to participate in GMEBS after completing one year of service. Benefits vest after ten (10) years of service. The system also provides death and disability benefits. Post retirement increases are not applicable to this plan.

The benefit provisions were established by an adoption agreement executed by the City Council. The Georgia Constitution enables the governing authority, the City Council, to establish and amend the contribution rates for the employer and its plan members. Financial statements of the plan are presented in a report issued by GMEBS. Reports may be obtained by writing to GMEBS at 201 Pryor Street S.W., Atlanta, GA 30303.

***Funding Policy.*** The funding policy for the plan is to contribute an amount equal to the recommended contribution as calculated by the actuaries for GMEBS. The recommended contribution meets the guidelines for calculating an annual required contribution as set forth in Governmental Accounting Standards Board (GASB) Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Further, by meeting the recommended contribution, developed under the actuarial funding policy, the Plan will meet applicable state funding standards as set forth in the Public Retirement System Standards Law (Georgia Code Section 47-20-10). The estimated minimum annual contribution under these funding standards is $154,738. The GMEBS Board of Trustees has adopted an actuarial funding policy that requires a different funding level than the estimated minimum annual contribution to minimize fluctuations in annual contribution amounts and to accumulate sufficient funds to secure benefits under the plan.

***Annual Pension Cost.*** The recommended contribution at January 1, 2011 for the City's fiscal year ending was $193,798. The recommended contribution represents 11.45 percent of the payroll of covered employees. The total valuation payroll for employees covered by GMEBS for the year ended January 1, 2011 was $1,654,466 and total payroll for the City's fiscal year ending August 31, 2012 was $2,004,121. Employees are not required to contribute to the fund. Since the City's policy is to contribute the pension expense in each year, the plan will meet applicable funding standards. A recent summary of contributions is presented in the following table. As the table shows, the City fully funded the August 31, 2012 annual pension cost with contributions of $193,798.

| Pension Plan Reporting Date | Fiscal Year End | Recommended Contribution | Percent Contributed | Pension Obligation |
|---|---|---|---|---|
| July 1, 2008 | August 31, 2010 | 103,792 | 100% | 0.00 |
| January 1, 2010 | August 31, 2011 | 168,677 | 100% | 0.00 |
| January 1, 2011 | August 31, 2012 | 193,798 | 100% | 0.00 |

## *Note 3 – Detailed Notes on All Funds (continued)*

***Actuarial Assumptions and Methods.*** Significant actuarial assumptions are used to compute the annual recommended contribution and the actuarial accrued liability. The actuarial methods and assumptions are presented on the following page.

Due to the long-term nature of retirement plans, the valuation utilizes an asset smoothing method to allow fluctuations in the market value of assets to be recognized over a number of years rather than immediately. This prevents any single year from overly impacting the valuation and allows plan sponsors to prepare for potential changes in the contribution requirements.

Effective September 1, 2009, the Eatonton-Putnam County Water and Sewer Authority Retirement Plan was established with liabilities and assets of $317,375 transferred from this plan during 2010. There were no other changes in plan provisions, methods or assumptions in this valuation.

Actuarial Methods and Assumptions for Valuation Date January 1, 2011

| | |
|---|---|
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Closed level dollar for remaining unfunded liability |
| Remaining Amortization Period | Varies for the bases with a net effective amortization period of 10 years. |
| Asset Valuation | Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 50% of market value for 2009; 44% of market value for 2010; 38% of market value for 2011; 32% of market value for 2012; 26% of market value for 2013; and 20% of market value for 2014 and later years. |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.75% |
| Projected Salary Increases | 3.50%, plus age and service based merit increases |
| Cost of Living Adjustments | 0.00% |
| Inflation | 3.50% |

The period and related method for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year.

***Funding Status and Progress.*** Three year trend information for the City's PERS is presented on the following page.

## *Note 3 – Detailed Notes on All Funds (continued)*

Required Supplementary Information: Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded (Overfunded) AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded (Funded) AAL as a Percent of Covered Payroll (b-a)/c |
|---|---|---|---|---|---|---|
| 7/1/09 | 2,141,898 | 2,959,673 | 817,775 | 72.4 | 1,413,931 | 57.84% |
| 1/1/10 | 2,697,476 | 3,037,872 | 340,396 | 88.8 | 1,494,265 | 22.78% |
| 1/1/11 | 2,526,832 | 2,983,361 | 456,529 | 84.7 | 1,654,466 | 27.59% |

### *3-G. Post-employment Benefits*

The City does not provide health care or life insurance benefits for retired employees.

### *3-H. Equity*

***3-H-1 Government-wide Net Assets*** - The component of net assets, "*Invested in Capital Assets, Net of Related Debt*" on the government-wide statement of net assets as of August 31, 2012 is determined as follows:

| | Governmental Activities | Business Type Activities | Total |
|---|---|---|---|
| Investments in capital assets, net of related debt: | | | |
| Cost of capital assets | 7,441,344.95 | 6,291,833.13 | 13,733,178.08 |
| Less accumulated depreciation | 2,605,713.18 | 2,583,232.20 | 5,188,945.38 |
| Book value | 4,835,631.77 | 3,708,600.93 | 8,544,232.70 |
| Less capital related debt | 0.00 | 0.00 | 0.00 |
| Investments in capital assets, net of related debt | 4,835,631.77 | 3,708,600.93 | 8,544,232.70 |

## *Note 3 – Detailed Notes on All Funds (continued)*

*3-H-2 Fund Balance Components* – At the fund financial reporting level, fund balances are classified as follows:

| Governmental Funds | Amount |
|---|---|
| General Fund | |
| Commited by city council for capital outlay | 350,963.37 |
| Committed for budget stabilization | 520,400.70 |
| Unassigned | (190,130.75) |
| | 681,233.32 |
| Special Revenue Funds | |
| Capital Reserve Fund | |
| Restricted by referendum for emergencies | 500,000.00 |
| Committed by city council for emergencies, cemetary care and services to citizens through donations to civic organizations | 495,137.20 |
| Police Condemnation Fund | |
| Restricted by law for law enforcement equipment and supplies | 25,124.56 |
| Youth Services Grant Fund restricted for grant purposes | 173.26 |
| Hotel / Motel Tax Fund assigned for development | 7,804.52 |
| | 1,028,239.54 |
| Capital Projects Funds | |
| Special Local Option Sales Tax Fund # 1 | |
| Restricted by referendum for capital outlay | 13.84 |
| Special Local Option Sales Tax Fund # 2 | |
| Restricted by referendum for capital outlay | 200,123.73 |
| Community Development Block Grant Fund #7, restricted for capital outlay | 1,350.00 |
| | 201,487.57 |

### *3-H-3. Prior Period Adjustments*

Prior period adjustments were made to the beginning fund balances of the Youth Services Grant Fund and the component unit during the year ended August 31, 2012. In the Youth Services Grant Fund, a state Family Connection Grant was reduced. The difference in fiscal years for the state and the City necessitated recording this change with a prior period adjustment. The prior period adjustment to the component unit was necessary because a non-cash transaction was not recorded in the previous year.

### *3-I. Special Purpose Local Option Sales Tax (SPLOST)*

The City presents two SPLOST funds in this report. These are for an expired sales tax, the proceeds of which are almost entirely spent (SPLOST Fund # 1), and a newly enacted tax (SPLOST Fund # 2). In each case a county-wide referendum authorizing collection of a one percent, special local option sales tax, provides for municipal projects through an intergovernmental agreement. In accordance with the referendum, the proceeds of the current tax are to be expended for construction of roads, bridges and sidewalks; for acquisition of public safety and public works equipment; for sewer repairs; for building renovations; for extension of natural gas lines; and for the

## *Note 3 – Detailed Notes on All Funds (continued)*

development of a park. Cumulative expenditures for these projects are presented on the Schedule of Projects Constructed with Special Sales Tax proceeds.

### *3-J. Special Item*

During the year ended August 31, 2011, the Natural Gas Fund Statement of Revenues, Expenses and Changes in Fund Net Assets presented a special item. This item is the total of bad debt losses resulting from the bankruptcy of Appleseed's Intermediate Holdings, LLC, *et al.* (formerly Haband Company). That bankruptcy, in the opinion of the City attorney, rendered the City's account receivable, for natural gas sales to this business, uncollectible. Because this loss was both significant, $124,750, and unusual, it is presented separately from operating expenses. It appears in the comparative statements accompanying this year's financial activity.

## *Note 4 - Other Notes*

### *4-A. Risk Management*

Predominant exposure for losses lies in the areas of liability and property damage or theft. These risks are mitigated through participation with other Georgia municipalities, in a risk sharing arrangement. Through the Georgia Municipal Association, the City holds membership in Georgia Interlocal Risk Management Agency (G.I.R.M.A). G.I.R.M.A exists by authority of the Official Code of Georgia Annotated 36.85.1 et seq. Members jointly self-insure the risks of general liability, motor vehicle liability, property damage or any combination of such risks.

Since the previous year, there have been no reductions in coverage, and the amount of an insurance settlement has never exceeded coverage.

Additionally, City employees are covered by worker's compensation insurance. Coverage is obtained through membership in the Georgia Municipal Association Worker's Compensation Self Insurance Fund. Benefits provided for employees, pursuant to this agreement, are specifically limited to obligations imposed by Georgia law against the employer for worker's compensation and/or employer's liability.

The funds are to defend and protect fund members against liability or loss as prescribed in the member government contract and in accordance with the worker's compensation law of Georgia. Further, the funds are to pay all costs against members in any legal proceeding defended by the member; all interest accruing after entry of judgment; all expenses incurred for investigation, negotiation or defense.

As a member of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools; to cooperate with pool agents and attorneys; to follow loss reduction procedures established by the funds; and to report, as promptly as possible and in accordance with coverage descriptions issued, all incidents which could result in fund payments for claims of loss. Further, the City is to allow the pool's agents and attorneys to represent the City in investigations, settlement discussions and all levels of litigation arising out of any claim which falls within the scope of loss protection furnished by the funds.

## *Note 4 - Other Notes (continued)*

### *4-B. Contingent Liabilities*

#### *Georgia Environmental Facilities Loans*

On May 1, 2007, the City transferred all assets, liabilities and net assets of its water and waste water treatment and delivery systems to the Eatonton-Putnam Water and Sewer Authority (the Authority). Included in this transfer were the City's outstanding loans payable to the Georgia Environmental Facilities Authority (GEFA). Each of these loans was made for the purpose of expanding and improving the City's (now, the Authority's) water and sewer systems.

All debt was explicitly assumed by the Authority, according to the terms of the contract signed by the two governments. Because these documents are still in the City's name, each of these debts is presented as a contingent liability. The Authority is on schedule with the terms of all loans. The loan terms are presented below.

*GEFA Contract #2002-LE37WQ:* This loan financed repairs and capital asset improvements to the waste water system. Total debt of $870,706.44 was amortized on February 28, 2007 at 3.37%. This loan is payable in monthly installments of $4,991.79, for 20 years. As of August 31, 2012 the outstanding loan principal was $689,388.23; scheduled payments extend through March 2027.

*GEFA Contract #2004-L12WS:* This loan financed repairs and capital improvements to the surface water treatment facility. Total debt of $788,730.48 was amortized on September 30, 2007, at 3.84%. This loan is payable in monthly installments of $4,713.33, over a 20 year period, extending through October 2027. The outstanding balance at August 31, 2012 was $649,441.40.

#### *Grant Programs*

During this and prior years, the City has been a recipient of both state and federal grants. These programs are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

#### *Municipal Gas Authority of Georgia*

The City has entered into a contract for natural gas purchases with the Municipal Gas Authority of Georgia (MGAG). MGAG is an association of approximately 70 cities. MGAG has issued bonded debt to purchase various natural gas properties. The City of Eatonton has an "obligation share" of these commitments. Eatonton's total bond obligation share at August 31, 2012, was $1,356,565.

#### *Litigation*

In the opinion of the City attorney, there were no legal actions in progress by or against the City at August 31, 2012, that would have a material effect on its financial position.

## *Note 4 - Other Notes (continued)*

### *4-C. Applicability of the Single Audit Act*

A single audit was performed for the fiscal year ended August 31, 2012.

### *4-D. Property Taxes and Local Option Sales Tax*

Since 1986, sales taxes have offset the need for the City to record or accrue property taxes and the accompanying allowance for uncollectible accounts. However, the City levied property taxes beginning in the fall of 2012. Collections began after the period covered by this report.

### *4-E. Component Unit*

The City of Eatonton has one outside component unit: the Eatonton Downtown Development Authority (DDA). Summary financial information is included with the government-wide financial statements.

### *4-F. Related Organizations*

The City's mayor is responsible for all of the board appointments for the Housing Authority of the City of Eatonton. However, the City has no further accountability for this organization.

### *4-G. Joint Venture*

Under Georgia Law, the City along with other cities and counties in the eleven county central Georgia area, is a member of the Middle Georgia Regional Commission (RC). Dues are required, and assessed on a per capita basis. During the year ended August 31, 2012, the City paid $6,480 in dues.

Membership in an RC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC.

Separate financial statements may be obtained from: Middle Georgia Regional Commission
175 C Emery Highway
Macon, Georgia 31217

### *4-H. Notes Receivable – Revolving Loan Fund*

At August 31, 2012, the City had one Economic Development outstanding loan, made with C.D.B.G./E.I.P. grant monies. Allowance for doubtful accounts is established on an individual case basis; no allowance has been established for this loan.

**Loans Receivable - Revolving Loan Fund - August 31, 2012**

| | |
|---|---|
| Heaven's Gate, LLC: | |
| Original amount $24,034.62, at 5%, payable in graduated monthly installments through January 1, 2018. Payments are intermitent and remain behind schedule. The outstanding balance at August 31, 2012 is | 20,458.84 |

## *Note 4 - Other Notes (continued)*

### *4-I. Hotel-Motel Lodging Tax*

The City taxes rentals collected on overnight lodging in accordance with OCGA 48-13-51. All activities for this tax are accounted for in the Hotel / Motel Tax Fund. The tax rate is five percent.

In accordance with state law, and by agreement with the Eatonton-Putnam Chamber of Commerce, these revenues are shared and are used to promote tourism. At fiscal year end, $4,000 remained payable to the Chamber, in fulfillment of this agreement. The City has on file a copy of the Chamber's audited financial statements; these statements verify that proceeds of this tax are used in conformity with Code requirements.

Significant Hotel / Motel Tax Fund transactions are summarized below.

| | |
|---|---|
| Gross lodging tax receipts | 10,481.09 |
| Services contracted with the Chamber of Commerce | (11,500.00) |
| Decrease in Fund Balance | (1,018.91) |

## Governmental Funds

CITY OF EATONTON, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET

AUGUST 31, 2012

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|---|---|---|
| Assets | | | |
| Cash | 34,433.73 | 1,363.84 | 35,797.57 |
| Taxes Receivable | 775.81 | 0.00 | 775.81 |
| Accounts Receivable | 172.94 | 0.00 | 172.94 |
| Total Assets | 35,382.48 | 1,363.84 | 36,746.32 |
| Liabilities and Fund Balance | | | |
| Liabilities: | | | |
| Interfund Payable | 2,280.14 | 0.00 | 2,280.14 |
| Total Liabilities | 2,280.14 | 0.00 | 2,280.14 |
| Fund Balance: | | | |
| Restricted for Grant Purposes | 173.26 | 0.00 | 173.26 |
| Restricted for Program Purposes | 25,124.56 | 0.00 | 25,124.56 |
| Restricted for Capital Outlay | 0.00 | 1,363.84 | 1,363.84 |
| Assigned | 7,804.52 | 0.00 | 7,804.52 |
| Total Fund Balances | 33,102.34 | 1,363.84 | 34,466.18 |
| Total Liabilities and Fund Balance | 35,382.48 | 1,363.84 | 36,746.32 |

CITY OF EATONTON, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED AUGUST 31, 2012

| | Nonmajor Special Revenue Funds | Nonmajor Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|---|---|---|
| Revenues | | | |
| Taxes | 10,481.09 | 0.00 | 10,481.09 |
| Intergovernmental | 0.00 | 415,947.00 | 415,947.00 |
| Fines and Forfeitures | 2,830.75 | 0.00 | 2,830.75 |
| Interest Income | 47.85 | 268.28 | 316.13 |
| | 13,359.69 | 416,215.28 | 429,574.97 |
| Expenditures | | | |
| Housing and Development | 48,990.25 | 0.00 | 48,990.25 |
| Public Safety | 11,208.20 | 0.00 | 11,208.20 |
| Public Works | 0.00 | 414,877.00 | 414,877.00 |
| Capital Outlay | 0.00 | 370,941.09 | 370,941.09 |
| | 60,198.45 | 785,818.09 | 846,016.54 |
| Excess (Deficiency) of Revenues over Expenditures | (46,838.76) | (369,602.81) | (416,441.57) |
| Other Financing Sources | | | |
| Transfer from General Fund | 7,658.83 | 0.00 | 7,658.83 |
| Net Change in Fund Balance | (39,179.93) | (369,602.81) | (408,782.74) |
| Fund Balance at Beginning of Year | 74,032.27 | 370,966.65 | 444,998.92 |
| Prior Period Adjustment | (1,750.00) | 0.00 | (1,750.00) |
| Fund Balance at End of Year | 33,102.34 | 1,363.84 | 34,466.18 |

## General Fund

To account for those resources traditionally associated with governments, which are not required to be accounted for in another fund.

CITY OF EATONTON, GEORGIA

GENERAL FUND

BALANCE SHEET

AUGUST 31, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Current Assets: | | |
| Cash | (3,646.68) | 844,963.85 |
| Prepaid Insurance | 0.00 | 38,695.27 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 18,570.54 | 24,979.09 |
| Due from Capital Reserve Fund | 0.00 | 3,050.77 |
| Due from Youth Services Grant Fund | 0.00 | 21,178.34 |
| Due from Police Condemnation Fund | 2,280.14 | 5,397.14 |
| Grant Funds Receivable | 20,887.55 | 0.00 |
| Due From State Government | 290,725.53 | 378,037.90 |
| Time Certificates of Deposit | 215,000.00 | 195,000.00 |
| Restricted Assets: | | |
| Time Certificates of Deposit | 350,963.37 | 370,555.14 |
| Total Assets | 894,780.45 | 1,881,857.50 |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Accounts Payable | 158,415.57 | 380,850.12 |
| Accrued Wages and Related Liabilities | 20,937.94 | 100,501.37 |
| Deposits | 34,193.62 | 37,584.24 |
| Total Liabilities | 213,547.13 | 518,935.73 |
| Fund Balance: | | |
| Nonspendable | 0.00 | 38,695.27 |
| Restricted for Capital Outlay | 350,963.37 | 370,555.14 |
| Committed Stabilization Reserve | 520,400.70 | 521,337.20 |
| Assigned for Appropriations | 0.00 | 20,000.00 |
| Unassigned | (190,130.75) | 412,334.16 |
| Total Fund Balance | 681,233.32 | 1,362,921.77 |
| Total Liabilities and Fund Balance | 894,780.45 | 1,881,857.50 |

CITY OF EATONTON, GEORGIA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Revenues | | | | | |
| Taxes | 3,587,051.00 | 3,482,611.00 | 2,755,275.50 | (727,335.50) | 2,996,800.88 |
| Licenses and Permits | 76,000.00 | 76,000.00 | 75,941.20 | (58.80) | 70,937.91 |
| Intergovernmental Revenues | 150,000.00 | 150,000.00 | 198,662.22 | 48,662.22 | 144,859.66 |
| Charges for Services | 270,216.00 | 270,216.00 | 227,294.65 | (42,921.35) | 222,598.04 |
| Fines and Forfeitures | 260,000.00 | 260,000.00 | 213,125.05 | (46,874.95) | 219,328.54 |
| Other | 51,000.00 | 51,000.00 | 26,292.93 | (24,707.07) | 27,398.24 |
| Total Revenues | 4,394,267.00 | 4,289,827.00 | 3,496,591.55 | (793,235.45) | 3,681,923.27 |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 882,075.00 | 833,075.00 | 823,085.77 | (9,989.23) | 722,914.75 |
| Judicial | 18,550.00 | 18,550.00 | 17,574.79 | (975.21) | 18,391.64 |
| Public Safety | 1,969,643.00 | 1,949,643.00 | 1,885,087.13 | (64,555.87) | 1,886,701.18 |
| Public Works | 1,295,707.00 | 1,259,707.00 | 1,205,251.96 | (54,455.04) | 1,357,176.79 |
| Health and Welfare | 4,361.00 | 4,361.00 | 0.00 | (4,361.00) | 2,958.01 |
| Culture and Recreation | 138,392.00 | 138,392.00 | 128,756.38 | (9,635.62) | 138,630.65 |
| Housing and Development | 115,539.00 | 116,099.00 | 110,865.14 | (5,233.86) | 103,961.57 |
| Total Expenditures | 4,424,267.00 | 4,319,827.00 | 4,170,621.17 | (149,205.83) | 4,230,734.59 |
| Excess (Deficiency) of Revenues | (30,000.00) | (30,000.00) | (674,029.62) | (644,029.62) | (548,811.32) |
| Other Financing Sources (Uses) | | | | | |
| Transfer In: Capital Reserve Fund | 10,000.00 | 10,000.00 | 0.00 | (10,000.00) | 10,000.00 |
| Transfer Out: Police Condemnation Fund | 0.00 | 0.00 | (3,117.00) | (3,117.00) | 0.00 |
| Transfer Out: Youth Services Grant Fund | 0.00 | 0.00 | (4,541.83) | (4,541.83) | 0.00 |
| Allocation of Prior Year's Fund Balance | 20,000.00 | 20,000.00 | 0.00 | (20,000.00) | 0.00 |
| Total Other Financing Sources (Uses) | 30,000.00 | 30,000.00 | (7,658.83) | (37,658.83) | 10,000.00 |
| Net Change in Fund Balance | 0.00 | 0.00 | (681,688.45) | (681,688.45) | (538,811.32) |
| Fund Balance at Beginning of Year | | | 1,362,921.77 | | 1,901,733.09 |
| Fund Balance at End of Year | | | 681,233.32 | | 1,362,921.77 |

CITY OF EATONTON, GEORGIA

GENERAL FUND

SCHEDULE OF REVENUES - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Revenues | | | | | |
| Taxes: | | | | | |
| Local Option Sales Tax | 2,502,051.00 | 2,397,611.00 | 1,828,174.10 | (569,436.90) | 2,090,307.41 |
| Tax on Insurance Premiums | 380,000.00 | 380,000.00 | 303,939.23 | (76,060.77) | 364,118.31 |
| Utility Franchise Tax | 407,000.00 | 407,000.00 | 387,899.01 | (19,100.99) | 313,641.84 |
| Alcoholic Beverage Tax | 298,000.00 | 298,000.00 | 235,263.16 | (62,736.84) | 228,733.32 |
| | 3,587,051.00 | 3,482,611.00 | 2,755,275.50 | (727,335.50) | 2,996,800.88 |
| Licenses and Permits: | | | | | |
| Business Licenses | 76,000.00 | 76,000.00 | 75,941.20 | (58.80) | 70,937.91 |
| | 76,000.00 | 76,000.00 | 75,941.20 | (58.80) | 70,937.91 |
| Intergovernmental Grants for: | | | | | |
| Public Safety | 150,000.00 | 150,000.00 | 198,662.22 | 48,662.22 | 144,859.66 |
| Public Works | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 150,000.00 | 150,000.00 | 198,662.22 | 48,662.22 | 144,859.66 |
| Charges for Services: | | | | | |
| General Government | 2,000.00 | 2,000.00 | 628.00 | (1,372.00) | 3,066.00 |
| Public Safety | 1,000.00 | 1,000.00 | 0.00 | (1,000.00) | 4,123.84 |
| Public Works | 250,815.00 | 250,815.00 | 204,365.65 | (46,449.35) | 200,807.20 |
| Culture and Recreation | 16,401.00 | 16,401.00 | 22,301.00 | 5,900.00 | 14,601.00 |
| | 270,216.00 | 270,216.00 | 227,294.65 | (42,921.35) | 222,598.04 |
| Fines and Forfeitures: | | | | | |
| Municipal Court | 260,000.00 | 260,000.00 | 213,125.05 | (46,874.95) | 219,328.54 |
| | 260,000.00 | 260,000.00 | 213,125.05 | (46,874.95) | 219,328.54 |
| Other: | | | | | |
| Private Donation | 0.00 | 0.00 | 10,000.00 | 10,000.00 | 0.00 |
| Interest Earned | 50,000.00 | 50,000.00 | 7,989.63 | (42,010.37) | 13,601.76 |
| Sale of Surplus Assets | 0.00 | 0.00 | 7,976.65 | 7,976.65 | 13,286.97 |
| Miscellaneous | 1,000.00 | 1,000.00 | 326.65 | (673.35) | 509.51 |
| | 51,000.00 | 51,000.00 | 26,292.93 | (24,707.07) | 27,398.24 |
| Total Revenues | 4,394,267.00 | 4,289,827.00 | 3,496,591.55 | (793,235.45) | 3,681,923.27 |
| Other Financing Sources | | | | | |
| Transfer from Capital Reserve Fund | 10,000.00 | 10,000.00 | 0.00 | (10,000.00) | 10,000.00 |
| Allocation of Prior Year's Fund Balance | 20,000.00 | 20,000.00 | 0.00 | (20,000.00) | 0.00 |
| Total Other Financing Sources | 30,000.00 | 30,000.00 | 0.00 | (30,000.00) | 10,000.00 |
| Total Revenues And Other Financing Sources | 4,424,267.00 | 4,319,827.00 | 3,496,591.55 | (823,235.45) | 3,691,923.27 |

CITY OF EATONTON, GEORGIA

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| General Government | | | | | |
| City Council and Executive Offices | | | | | |
| Personnel Services and Employee Benefits | 102,688.00 | 112,688.00 | 107,627.14 | (5,060.86) | 98,314.14 |
| Travel, Education and Training | 17,900.00 | 17,900.00 | 15,727.33 | (2,172.67) | 14,198.17 |
| Insurance | 40,500.00 | 40,500.00 | 40,894.72 | 394.72 | 40,096.53 |
| Communications | 2,500.00 | 2,500.00 | 2,818.30 | 318.30 | 3,161.50 |
| Other | 10,000.00 | 10,000.00 | 8,252.16 | (1,747.84) | 4,199.84 |
| | 173,588.00 | 183,588.00 | 175,319.65 | (8,268.35) | 159,970.18 |
| Elections | | | | | |
| Poll Workers | 3,600.00 | 13,600.00 | 9,442.01 | (4,157.99) | 6,339.69 |
| Travel, Education and Training | 800.00 | 600.00 | 0.00 | (600.00) | 269.06 |
| Communications | 600.00 | 800.00 | 1,016.00 | 216.00 | 255.00 |
| Supplies | 5,000.00 | 5,000.00 | 8,550.71 | 3,550.71 | 13,350.00 |
| | 10,000.00 | 20,000.00 | 19,008.72 | (991.28) | 20,213.75 |
| Financial and General Administration | | | | | |
| Personnel Services and Employee Benefits | 286,440.00 | 247,440.00 | 298,930.97 | 51,490.97 | 277,379.43 |
| Travel, Education and Training | 9,600.00 | 9,600.00 | 9,056.99 | (543.01) | 9,356.00 |
| Professional Services | 96,000.00 | 116,000.00 | 102,394.59 | (13,605.41) | 41,964.76 |
| Technical Services | 37,000.00 | 37,000.00 | 19,439.95 | (17,560.05) | 6,701.19 |
| Maintenance and Repairs | 9,000.00 | 9,000.00 | 7,876.11 | (1,123.89) | 6,332.06 |
| Insurance | 7,500.00 | 7,500.00 | 7,674.90 | 174.90 | 7,491.60 |
| Communications | 12,800.00 | 12,800.00 | 16,050.42 | 3,250.42 | 13,136.95 |
| Supplies | 10,600.00 | 10,600.00 | 8,382.54 | (2,217.46) | 10,464.52 |
| Utilities | 6,000.00 | 6,000.00 | 5,770.08 | (229.92) | 2,665.42 |
| | 474,940.00 | 455,940.00 | 475,576.55 | 19,636.55 | 375,491.93 |
| Buildings and Grounds | | | | | |
| Personnel Services and Employee Benefits | 179,647.00 | 129,647.00 | 102,966.29 | (26,680.71) | 131,443.14 |
| Technical Services | 0.00 | 0.00 | 0.00 | 0.00 | 3,050.00 |
| Maintenance and Repairs | 15,600.00 | 15,600.00 | 26,648.44 | 11,048.44 | 7,718.61 |
| Insurance | 11,000.00 | 11,000.00 | 10,871.13 | (128.87) | 10,605.25 |
| Communications | 1,800.00 | 1,800.00 | 940.72 | (859.28) | 1,035.23 |
| Supplies | 8,300.00 | 8,300.00 | 4,607.63 | (3,692.37) | 6,530.43 |
| Gasoline | 6,000.00 | 6,000.00 | 4,179.90 | (1,820.10) | 3,612.99 |
| Utilities | 1,200.00 | 1,200.00 | 2,966.74 | 1,766.74 | 3,243.24 |
| | 223,547.00 | 173,547.00 | 153,180.85 | (20,366.15) | 167,238.89 |
| Total General Government | 882,075.00 | 833,075.00 | 823,085.77 | (9,989.23) | 722,914.75 |

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Judicial System | | | | | |
| Municipal Court | 18,550.00 | 18,550.00 | 17,574.79 | (975.21) | 18,391.64 |
| Total Judicial System | 18,550.00 | 18,550.00 | 17,574.79 | (975.21) | 18,391.64 |
| Public Safety | | | | | |
| Police Department | | | | | |
| Personnel Services and Employee Benefits | 1,269,831.00 | 1,249,831.00 | 1,202,290.64 | (47,540.36) | 1,216,395.29 |
| Travel, Education and Training | 9,000.00 | 9,000.00 | 7,026.68 | (1,973.32) | 8,118.47 |
| Technical Services | 31,600.00 | 31,600.00 | 8,028.69 | (23,571.31) | 8,520.43 |
| Maintenance and Repairs | 50,000.00 | 50,000.00 | 49,498.80 | (501.20) | 61,626.02 |
| Insurance | 35,000.00 | 35,000.00 | 34,938.83 | (61.17) | 33,201.40 |
| Communications | 19,100.00 | 19,100.00 | 27,922.90 | 8,822.90 | 15,837.56 |
| Supplies, Hardware and Small Equipment | 24,000.00 | 24,000.00 | 41,762.07 | 17,762.07 | 32,313.53 |
| Gasoline | 75,000.00 | 75,000.00 | 80,578.47 | 5,578.47 | 89,556.73 |
| Utilities | 10,000.00 | 10,000.00 | 12,026.79 | 2,026.79 | 13,049.30 |
| Towing and Impound | 5,000.00 | 5,000.00 | 730.00 | (4,270.00) | 459.00 |
| Prisoner Housing | 6,000.00 | 6,000.00 | 24,590.08 | 18,590.08 | 16,850.00 |
| Drug Task Force | 5,000.00 | 5,000.00 | 0.00 | (5,000.00) | 5,000.00 |
| Capital Outlay | 0.00 | 0.00 | 5,410.00 | 5,410.00 | 0.00 |
| Other | 4,000.00 | 4,000.00 | 0.00 | (4,000.00) | 532.15 |
| | 1,543,531.00 | 1,523,531.00 | 1,494,803.95 | (28,727.05) | 1,501,459.88 |
| Fire and Rescue Safety | | | | | |
| Personnel Services and Employee Benefits | 276,692.00 | 276,692.00 | 250,835.31 | (25,856.69) | 253,928.38 |
| Volunteer Fire Fighter Drill Fees | 41,520.00 | 41,520.00 | 25,768.50 | (15,751.50) | 27,893.06 |
| Travel, Education and Training | 2,400.00 | 2,400.00 | 152.65 | (2,247.35) | 0.00 |
| Maintenance and Repairs | 6,000.00 | 6,000.00 | 8,859.31 | 2,859.31 | 9,984.77 |
| Insurance | 8,200.00 | 8,200.00 | 8,417.68 | 217.68 | 8,275.44 |
| Communications | 5,000.00 | 5,000.00 | 11,677.61 | 6,677.61 | 11,911.24 |
| Supplies, Hardware and Small Equipment | 4,000.00 | 4,000.00 | 10,789.44 | 6,789.44 | 14,870.50 |
| Gasoline | 4,000.00 | 4,000.00 | 7,453.00 | 3,453.00 | 7,737.85 |
| Rescue Squad Fees and Associated Costs | 36,700.00 | 36,700.00 | 28,934.16 | (7,765.84) | 23,007.54 |
| | 384,512.00 | 384,512.00 | 352,887.66 | (31,624.34) | 357,608.78 |
| Animal Control | 41,600.00 | 41,600.00 | 37,395.52 | (4,204.48) | 27,632.52 |
| Total Public Safety | 1,969,643.00 | 1,949,643.00 | 1,885,087.13 | (64,555.87) | 1,886,701.18 |

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Public Works | | | | | |
| Highways and Streets | | | | | |
| Personnel Services and Employee Benefits | 628,707.00 | 592,707.00 | 619,431.63 | 26,724.63 | 622,275.84 |
| Technical Services | 20,000.00 | 20,000.00 | 3,378.84 | (16,621.16) | 28,555.10 |
| Maintenance and Repairs | 82,400.00 | 82,400.00 | 28,953.50 | (53,446.50) | 48,351.91 |
| Insurance | 32,000.00 | 32,000.00 | 29,236.46 | (2,763.54) | 28,643.83 |
| Communications | 4,600.00 | 4,600.00 | 5,337.40 | 737.40 | 3,775.89 |
| Supplies, Hardware and Small Equipment | 64,000.00 | 64,000.00 | 52,498.67 | (11,501.33) | 109,449.75 |
| Gasoline | 45,000.00 | 45,000.00 | 56,174.18 | 11,174.18 | 57,409.89 |
| Utilities | 140,000.00 | 140,000.00 | 145,704.94 | 5,704.94 | 143,351.48 |
| Prison Crew Fees | 80,000.00 | 80,000.00 | 78,998.00 | (1,002.00) | 79,000.00 |
| Capital Outlay | 15,000.00 | 15,000.00 | 16,900.00 | 1,900.00 | 49,182.50 |
| | 1,111,707.00 | 1,075,707.00 | 1,036,613.62 | (39,093.38) | 1,169,996.19 |
| Solid Waste and Recycling | | | | | |
| Waste Disposal Fees | 175,000.00 | 175,000.00 | 158,568.92 | (16,431.08) | 178,632.08 |
| Insurance | 8,400.00 | 8,400.00 | 9,552.67 | 1,152.67 | 8,302.82 |
| Recycling Operations | 600.00 | 600.00 | 516.75 | (83.25) | 245.70 |
| | 184,000.00 | 184,000.00 | 168,638.34 | (15,361.66) | 187,180.60 |
| Total Public Works | 1,295,707.00 | 1,259,707.00 | 1,205,251.96 | (54,455.04) | 1,357,176.79 |
| Health and Welfare | | | | | |
| Mosquito Control | 4,361.00 | 4,361.00 | 0.00 | (4,361.00) | 2,958.01 |
| Total Health and Welfare | 4,361.00 | 4,361.00 | 0.00 | (4,361.00) | 2,958.01 |
| Culture and Recreation | | | | | |
| Personnel Services and Employee Benefits | 53,977.00 | 53,977.00 | 31,751.65 | (22,225.35) | 52,302.41 |
| Travel, Education and Training | 1,600.00 | 1,600.00 | 428.17 | (1,171.83) | 1,814.82 |
| Maintenance and Repairs | 25,615.00 | 25,615.00 | 25,941.69 | 326.69 | 14,999.29 |
| Insurance | 10,700.00 | 10,700.00 | 10,949.76 | 249.76 | 11,260.66 |
| Supplies, Hardware and Small Equipment | 500.00 | 500.00 | 351.28 | (148.72) | 9,606.70 |
| Utilities | 30,000.00 | 30,000.00 | 43,333.83 | 13,333.83 | 48,646.77 |
| Library Suppport | 16,000.00 | 16,000.00 | 16,000.00 | 0.00 | 0.00 |
| Total Culture and Recreation | 138,392.00 | 138,392.00 | 128,756.38 | (9,635.62) | 138,630.65 |

GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL, CONTINUED

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Housing and Development | | | | | |
| Planning and Zoning | 6,600.00 | 6,600.00 | 2,754.71 | (3,845.29) | 2,600.00 |
| Code Enforcement | | | | | |
| Personnel Services and Employee Benefits | 44,229.00 | 44,789.00 | 45,435.41 | 646.41 | 42,326.13 |
| Travel, Education and Training | 2,000.00 | 2,000.00 | 846.18 | (1,153.82) | 1,259.48 |
| Maintenance and Repairs | 700.00 | 700.00 | 0.00 | (700.00) | 587.16 |
| Insurance | 1,000.00 | 1,000.00 | 950.22 | (49.78) | 933.25 |
| Communications | 660.00 | 660.00 | 1,966.94 | 1,306.94 | 1,987.90 |
| Supplies, Hardware and Small Equipment | 900.00 | 900.00 | 83.40 | (816.60) | 143.01 |
| Gasoline | 900.00 | 900.00 | 850.17 | (49.83) | 803.55 |
| Economic Development | | | | | |
| Personnel Services and Employee Benefits | 37,967.00 | 37,967.00 | 37,956.36 | (10.64) | 32,832.62 |
| Travel, Education and Training | 500.00 | 500.00 | 2,518.29 | 2,018.29 | 4,058.74 |
| Maintenance and Repairs | 0.00 | 0.00 | 0.00 | 0.00 | 2,832.90 |
| Insurance | 383.00 | 383.00 | 492.69 | 109.69 | 481.22 |
| Communications | 3,700.00 | 3,700.00 | 1,408.50 | (2,291.50) | 3,494.45 |
| Supplies, Hardware and Small Equipment | 0.00 | 0.00 | 0.00 | 0.00 | 1,121.16 |
| Economic Development Grants | 16,000.00 | 16,000.00 | 15,602.27 | (397.73) | 8,500.00 |
| Total Housing and Development | 115,539.00 | 116,099.00 | 110,865.14 | (5,233.86) | 103,961.57 |
| Total Expenditures | 4,424,267.00 | 4,319,827.00 | 4,170,621.17 | (149,205.83) | 4,230,734.59 |

## SPECIAL REVENUE FUNDS

### Major Fund

**Capital Reserve Fund** – To account for the first year's collections of local option sales taxes. Income from investments of these collections is restricted to specific purposes by ordinance.

### Nonmajor Funds

**Hotel / Motel Tax Fund** – To account for taxes collected on overnight lodging rentals. In accordance with state law, a portion of collections is expended to promote tourism.

**Police Condemnation Fund** – To account for net proceeds of confiscated items, seized in drug related crimes. Expenditures are legally restricted to purchases of law enforcement supplies and equipment.

**Youth Services Grant Fund** – To account for the proceeds of state, Family Connection grants and related grants, the expenditures of which are designated, by contract, to support of youth and families.

CITY OF EATONTON, GEORGIA

CAPITAL RESERVE FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash and Cash Equivalents | 9,387.20 | 0.00 |
| Time Certificates of Deposit | 987,500.00 | 987,500.00 |
| Total Assets | 996,887.20 | 987,500.00 |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts Payable | 1,750.00 | 1,750.00 |
| Due to General Fund | 0.00 | 3,050.77 |
| Total Liabilities | 1,750.00 | 4,800.77 |
| Fund Balance | | |
| Fund Balance, Restricted | 500,000.00 | 500,000.00 |
| Fund Balance, Committed | 495,137.20 | 482,699.23 |
| Total Fund Balance | 995,137.20 | 982,699.23 |
| Total Liabilities and Fund Balance | 996,887.20 | 987,500.00 |

CITY OF EATONTON, GEORGIA

CAPITAL RESERVE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Revenues | | | | | |
| Interest Earned | 0.00 | 0.00 | 12,437.97 | 12,437.97 | 17,335.60 |
| Total Revenues | 0.00 | 0.00 | 12,437.97 | 12,437.97 | 17,335.60 |
| Expenditures | | | | | |
| Donation - Library | 0.00 | 0.00 | 0.00 | 0.00 | 21,300.00 |
| Donation - Historical Society | 0.00 | 0.00 | 0.00 | 0.00 | 3,120.54 |
| Regional Development Commission Dues | 0.00 | 0.00 | 0.00 | 0.00 | 6,693.00 |
| Professional Fees | 0.00 | 0.00 | 0.00 | 0.00 | 1,750.00 |
| Total Expenditures | 0.00 | 0.00 | 0.00 | 0.00 | 32,863.54 |
| Excess (Deficiency) of Revenues over Expenditures | 0.00 | 0.00 | 12,437.97 | 12,437.97 | (15,527.94) |
| Other Financing Sources (Uses) | | | | | |
| Transfer to General Fund | 0.00 | 0.00 | 0.00 | 0.00 | (10,000.00) |
| Net Change in Fund Balance | 0.00 | 0.00 | 12,437.97 | 12,437.97 | (25,527.94) |
| Fund Balance At Beginning of Year | | | 982,699.23 | | 1,008,227.17 |
| Fund Balance At End of Year | | | 995,137.20 | | 982,699.23 |

CITY OF EATONTON, GEORGIA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

AUGUST 31, 2012

| | Hotel / Motel Tax Fund | Police Condemnation Fund | Youth Services Grant Fund | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|
| Assets | | | | |
| Cash | 7,028.71 | 27,404.70 | 0.32 | 34,433.73 |
| Accounts Receivable | 0.00 | 0.00 | 172.94 | 172.94 |
| Taxes Receivable | 775.81 | 0.00 | 0.00 | 775.81 |
| Total Assets | 7,804.52 | 27,404.70 | 173.26 | 35,382.48 |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| Interfund Payable | 0.00 | 2,280.14 | 0.00 | 2,280.14 |
| Total Liabilities | 0.00 | 2,280.14 | 0.00 | 2,280.14 |
| Fund Balance: | | | | |
| Restricted for Grant Purposes | 0.00 | 0.00 | 173.26 | 173.26 |
| Restricted for Program Purposes | 0.00 | 25,124.56 | 0.00 | 25,124.56 |
| Assigned | 7,804.52 | 0.00 | 0.00 | 7,804.52 |
| Total Fund Balances | 7,804.52 | 25,124.56 | 173.26 | 33,102.34 |
| Total Liabilities and Fund Balance | 7,804.52 | 27,404.70 | 173.26 | 35,382.48 |

CITY OF EATONTON, GEORGIA

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED AUGUST 31, 2012

| | Hotel / Motel Tax Fund | Police Condemnation Fund | Youth Services Grant Fund | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|
| Revenues | | | | |
| Hotel / Motel Taxes | 10,481.09 | 0.00 | 0.00 | 10,481.09 |
| Fines and Forfeitures | 0.00 | 2,830.75 | 0.00 | 2,830.75 |
| Interest Income | 0.00 | 47.85 | 0.00 | 47.85 |
| | 10,481.09 | 2,878.60 | 0.00 | 13,359.69 |
| Expenditures | | | | |
| Housing and Development | 11,500.00 | 0.00 | 37,490.25 | 48,990.25 |
| Public Safety | 0.00 | 11,208.20 | 0.00 | 11,208.20 |
| | 11,500.00 | 11,208.20 | 37,490.25 | 60,198.45 |
| Excess (Deficiency) of Revenues over Expenditures | (1,018.91) | (8,329.60) | (37,490.25) | (46,838.76) |
| Other Financing Sources (Uses) | | | | |
| Transfer from General Fund | 0.00 | 3,117.00 | 4,541.83 | 7,658.83 |
| Net Change in Fund Balance | (1,018.91) | (5,212.60) | (32,948.42) | (39,179.93) |
| Fund Balance at Beginning of Year | 8,823.43 | 30,337.16 | 34,871.68 | 74,032.27 |
| Prior Period Adjustment | 0.00 | 0.00 | (1,750.00) | (1,750.00) |
| Fund Balance at End of Year | 7,804.52 | 25,124.56 | 173.26 | 33,102.34 |

CITY OF EATONTON, GEORGIA

HOTEL / MOTEL TAX FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash | 7,028.71 | 7,821.15 |
| Taxes Receivable | 775.81 | 1,002.28 |
| Total Assets | 7,804.52 | 8,823.43 |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Accounts Payable | 0.00 | 0.00 |
| Fund Balance Assigned for Development | 7,804.52 | 8,823.43 |
| Total Liabilities and Fund Balance | 7,804.52 | 8,823.43 |

CITY OF EATONTON, GEORGIA

HOTEL / MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Revenues | | | | | |
| Hotel / Motel Taxes | 12,000.00 | 12,000.00 | 10,481.09 | (1,518.91) | 10,687.54 |
| Expenditures | | | | | |
| Contracted Services for Tourism Promotion | 11,500.00 | 11,500.00 | 11,500.00 | 0.00 | 11,988.76 |
| Professional Services | 500.00 | 500.00 | 0.00 | (500.00) | 0.00 |
| | 12,000.00 | 12,000.00 | 11,500.00 | (500.00) | 11,988.76 |
| Net Change in Fund Balance | 0.00 | 0.00 | (1,018.91) | (1,018.91) | (1,301.22) |
| Fund Balance at Beginning of Year | | | 8,823.43 | | 10,124.65 |
| Fund Balance at End of Year | | | 7,804.52 | | 8,823.43 |

CITY OF EATONTON, GEORGIA

POLICE CONDEMNATION FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash | 27,404.70 | 35,734.30 |
| Total Assets | 27,404.70 | 35,734.30 |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Due to General Fund | 2,280.14 | 5,397.14 |
| Fund Balance | | |
| Restricted for Program Purposes | 25,124.56 | 30,337.16 |
| Total Liabilities and Fund Balance | 27,404.70 | 35,734.30 |

CITY OF EATONTON, GEORGIA

POLICE CONDEMNATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Revenues | | | | | |
| Proceeds from Seizures | 20,000.00 | 20,000.00 | 2,830.75 | (17,169.25) | 981.00 |
| Interest Earned | 50.00 | 50.00 | 47.85 | (2.15) | 57.57 |
| Total Revenues | 20,050.00 | 20,050.00 | 2,878.60 | (17,171.40) | 1,038.57 |
| Expenditures | | | | | |
| Education and Training | 50.00 | 50.00 | 3,069.79 | 3,019.79 | 4,719.19 |
| Supplies, Small Tools and Equipment | 0.00 | 0.00 | 3,423.68 | 3,423.68 | 2,600.00 |
| Capital Outlay | 20,000.00 | 20,000.00 | 4,714.73 | (15,285.27) | 0.00 |
| Total Expenditures | 20,050.00 | 20,050.00 | 11,208.20 | (8,841.80) | 7,319.19 |
| Excess (Deficiency) of Revenues over Expenditures | 0.00 | 0.00 | (8,329.60) | (8,329.60) | (6,280.62) |
| Other Financing Sources | | | | | |
| Transfer from General Fund | 0.00 | 0.00 | 3,117.00 | 3,117.00 | 0.00 |
| Net Change in Fund Balance | 0.00 | 0.00 | (5,212.60) | (5,212.60) | (6,280.62) |
| Fund Balance at Beginning of Year | | | 30,337.16 | | 36,617.78 |
| Fund Balance at End of Year | | | 25,124.56 | | 30,337.16 |

CITY OF EATONTON, GEORGIA

YOUTH SERVICES GRANT FUND

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash | 0.32 | 0.00 |
| Account Receivable | 172.94 | 0.00 |
| Grant Funds Receivable | 0.00 | 56,050.02 |
| Total Assets | 173.26 | 56,050.02 |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| Due to General Fund | 0.00 | 21,178.34 |
| Fund Balance, Restricted for Grant Purposes | 173.26 | 34,871.68 |
| Total Liabilities and Fund Balance | 173.26 | 56,050.02 |

CITY OF EATONTON, GEORGIA

YOUTH SERVICES GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED AUGUST 31, 2012

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED AUGUST 31, 2011

| | 2012 | | | | 2011 |
|---|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Over (Under) Budget | Actual |
| Revenues | | | | | |
| Family Connection Grant | 44,000.00 | 44,000.00 | 0.00 | (44,000.00) | 44,000.00 |
| Emergency Food and Shelter Grant | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Community Support | 2,000.00 | 2,000.00 | 0.00 | (2,000.00) | 200.00 |
| | 46,000.00 | 46,000.00 | 0.00 | (46,000.00) | 44,200.00 |
| Expenditures | | | | | |
| Purchased Services | 46,000.00 | 46,000.00 | 37,490.25 | (8,509.75) | 44,208.15 |
| Supplies | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | 46,000.00 | 46,000.00 | 37,490.25 | (8,509.75) | 44,208.15 |
| Excess (Deficiency) of Revenues Over Expenditures | 0.00 | 0.00 | (37,490.25) | (37,490.25) | (8.15) |
| Other Financing Sources (Uses) | | | | | |
| Transfer from General Fund | 0.00 | 0.00 | 4,541.83 | 4,541.83 | 0.00 |
| Net Change in Fund Balance | 0.00 | 0.00 | (32,948.42) | (32,948.42) | (8.15) |
| Fund Balance at Beginning of Year | | | 34,871.68 | | 34,879.83 |
| Prior Period Adjustment | | | (1,750.00) | | 0.00 |
| Fund Balance at End of Year | | | 173.26 | | 34,871.68 |

## CAPITAL PROJECTS FUNDS

### Major Fund

**Special Local Option Sales Tax Fund # 2 -** To account for receipts of special sales tax proceeds. Proceeds are to be expended in accordance with the terms of a local referendum for

- Roads, bridges, sidewalks
- Parking lot paving
- Building renovations
- Park development
- Public safety equipment
- Public works equipment
- Sewer repairs
- Natural gas line extension

### Nonmajor Funds

**Special Local Option Sales Tax Fund # 1** – To account for receipts of special sales tax proceeds. Proceeds are to be expended in accordance with the terms of a local referendum for

- Vehicles and equipment for public safety and public works
- Paving
- Water system and waste water system infrastructure
- Cultural and recreational center building

**Community Development Block Grant Fund, #6: 10p-x-117-2-5279** – To account for grant proceeds designated for a street drainage project.

**Community Development Block Grant Fund, #7: 11p-x-117-2-5390** – To account for grant proceeds designated for a street drainage project.

CITY OF EATONTON, GEORGIA

SPECIAL LOCAL OPTION SALES TAX FUND # 2

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash and Cash Equivalents | 282,246.62 | 0.00 |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts Payable | 82,122.89 | 0.00 |
| Fund Balance, Restricted for Capital Outlay | 200,123.73 | 0.00 |
| Total Liabilities and Fund Balance | 282,246.62 | 0.00 |

CITY OF EATONTON, GEORGIA

SPECIAL LOCAL OPTION SALES TAX FUND # 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Revenues | | |
| Intergovernmental Revenues | 640,262.65 | 0.00 |
| Interest Income | 260.69 | 0.00 |
| | 640,523.34 | 0.00 |
| Expenditures | | |
| Capital Outlay for: | | |
| Natural Gas Line Extension | 216,695.70 | 0.00 |
| Roads, Bridges, Sidewalks | 212,764.71 | 0.00 |
| Downtown Parking | 7,439.20 | 0.00 |
| Public Safety Equipment | 3,500.00 | 0.00 |
| | 440,399.61 | 0.00 |
| Net Change in Fund Balance | 200,123.73 | 0.00 |
| Fund Balance at Beginning of Year | 0.00 | 0.00 |
| Fund Balance at End of Year | 200,123.73 | 0.00 |

CITY OF EATONTON, GEORGIA

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET

AUGUST 31, 2012

| | SPLOST # 1 Fund | CDBG #6 Fund | CDBG #7 Fund | Total Nonmajor Capital Projects Funds |
|---|---|---|---|---|
| Assets | | | | |
| Cash | 13.84 | 0.00 | 1,350.00 | 1,363.84 |
| Total Assets | 13.84 | 0.00 | 1,350.00 | 1,363.84 |
| Liabilities and Fund Balance | | | | |
| Liabilities: | | | | |
| None | 0.00 | 0.00 | 0.00 | 0.00 |
| Fund Balance: | | | | |
| Restricted for Capital Outlay | 13.84 | 0.00 | 1,350.00 | 1,363.84 |
| Total Liabilities and Fund Balance | 13.84 | 0.00 | 1,350.00 | 1,363.84 |

CITY OF EATONTON, GEORGIA

NONMAJOR CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED AUGUST 31, 2012

| | SPLOST # 1 Fund | CDBG #6 Fund | CDBG #7 Fund | Total Nonmajor Capital Projects Funds |
|---|---|---|---|---|
| Revenues | | | | |
| Intergovernmental | 0.00 | 402,097.00 | 13,850.00 | 415,947.00 |
| Interest Income | 268.28 | 0.00 | 0.00 | 268.28 |
| | 268.28 | 402,097.00 | 13,850.00 | 416,215.28 |
| Expenditures | | | | |
| Public Works | 0.00 | 402,377.00 | 12,500.00 | 414,877.00 |
| Capital Outlay | 370,941.09 | 0.00 | 0.00 | 370,941.09 |
| | 370,941.09 | 402,377.00 | 12,500.00 | 785,818.09 |
| Excess (Deficiency) of Revenues over Expenditures | (370,672.81) | (280.00) | 1,350.00 | (369,602.81) |
| Fund Balance at Beginning of Year | 370,686.65 | 280.00 | 0.00 | 370,966.65 |
| Fund Balance at End of Year | 13.84 | 0.00 | 1,350.00 | 1,363.84 |

CITY OF EATONTON, GEORGIA

SPECIAL LOCAL OPTION SALES TAX FUND # 1

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash and Cash Equivalents | 13.84 | 370,686.65 |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| None | 0.00 | 0.00 |
| Fund Balance, Restricted for Capital Outlay | 13.84 | 370,686.65 |
| Total Liabilities and Fund Balance | 13.84 | 370,686.65 |

CITY OF EATONTON, GEORGIA

SPECIAL LOCAL OPTION SALES TAX FUND # 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Revenues | | |
| Intergovernmental Revenues | 0.00 | 0.00 |
| Interest Income | 268.28 | 606.76 |
| | 268.28 | 606.76 |
| Expenditures | | |
| Capital Outlay | | |
| Public Works | | |
| Roads, Bridges, Sidewalks | 370,941.09 | 44,754.50 |
| | 370,941.09 | 44,754.50 |
| Net Change in Fund Balance | (370,672.81) | (44,147.74) |
| Fund Balance at Beginning of Year | 370,686.65 | 414,834.39 |
| Fund Balance at End of Year | 13.84 | 370,686.65 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 10p-x-117-2-5279

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash | 0.00 | 280.00 |
| Total Assets | 0.00 | 280.00 |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| None | 0.00 | 0.00 |
| Fund Balance, Restricted for Capital Outlay | 0.00 | 280.00 |
| Total Liabilities and Fund Balance | 0.00 | 280.00 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 10p-x-117-2-5279

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Revenues | | |
| Intergovernmental Federal Grant - C.D.B.G. | 402,097.00 | 10,600.00 |
| | 402,097.00 | 10,600.00 |
| Expenditures | | |
| Capital Outlay for Street Improvements | | |
| Public Works | | |
| Street Improvements | 235,677.00 | 0.00 |
| Flood and Drainage Facilities | 152,258.00 | 0.00 |
| Contingencies | 0.00 | 0.00 |
| Administration | 14,442.00 | 10,320.00 |
| | 402,377.00 | 10,320.00 |
| Excess (Deficiency) of Revenues over Expenditures | (280.00) | 280.00 |
| Fund Balance at Beginning of Year | 280.00 | 0.00 |
| Fund Balance at End of Year | 0.00 | 280.00 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 10p-x-117-2-5279

STATEMENT OF SOURCE AND STATUS OF FUNDS

FOR THE PERIOD SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2012

| | | |
|---|---|---|
| Source of Funds | | |
| Total Program Funds Allocated | 412,697.00 | |
| Less: Total Funds Drawn Down by Recipient | 412,697.00 | |
| Program Funds Still Available from HUD | | 0.00 |
| Status of Funds | | |
| Total Funds Drawn Down by Recipient | 412,697.00 | |
| Less: Funds Applied to Program Expense | 412,697.00 | |
| Total Funds Held by Recipient | | 0.00 |
| Total Program Funds Available for Disposition | | 0.00 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 6

C.D.B.G. No. 10p-x-117-2-5279

STATEMENT OF PROJECT COSTS

FOR THE PERIOD SEPTEMBER 1, 2010 THROUGH AUGUST 31, 2012

| Program Activity | CDBG Activity Number | Approved Budget | CDBG Expenditures Cumulative | Questioned Costs |
|---|---|---|---|---|
| Street Improvements | P-03K-01 | 163,478.00 | 235,677.00 | 0.00 |
| Flood and Drainage Facilities | P-03K-02 | 203,400.00 | 152,258.00 | 0.00 |
| Administration | A-21A -00 | 24,762.00 | 24,762.00 | 0.00 |
| Contingencies | C-022-00 | 21,057.00 | 0.00 | 0.00 |
| Total | | 412,697.00 | 412,697.00 | 0.00 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 7

C.D.B.G. No. 11p-x-117-2-5390

COMPARATIVE BALANCE SHEET

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash | 1,350.00 | 0.00 |
| Total Assets | 1,350.00 | 0.00 |
| Liabilities and Fund Balance | | |
| Liabilities: | | |
| None | 0.00 | 0.00 |
| Fund Balance, Restricted for Capital Outlay | 1,350.00 | 0.00 |
| Total Liabilities and Fund Balance | 1,350.00 | 0.00 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 7

C.D.B.G. No. 11p-x-117-2-5390

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Revenues | | |
| Intergovernmental Federal Grant - C.D.B.G. | 13,850.00 | 0.00 |
| | 13,850.00 | 0.00 |
| Expenditures | | |
| Capital Outlay for Street Improvements | | |
| Public Works | | |
| Street Improvements | 0.00 | 0.00 |
| Flood and Drainage Facilities | 0.00 | 0.00 |
| Contingencies | 0.00 | 0.00 |
| Administration | 12,500.00 | 0.00 |
| | 12,500.00 | 0.00 |
| Excess (Deficiency) of Revenues over Expenditures | 1,350.00 | 0.00 |
| Fund Balance at Beginning of Year | 0.00 | 0.00 |
| Fund Balance at End of Year | 1,350.00 | 0.00 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 7

C.D.B.G. No. 11p-x-117-2-5390

STATEMENT OF SOURCE AND STATUS OF FUNDS

FOR THE PERIOD SEPTEMBER 1, 2011 THROUGH AUGUST 31, 2012

| | | |
|---|---|---|
| Source of Funds | | |
| Total Program Funds Allocated | 500,000.00 | |
| Less: Total Funds Drawn Down by Recipient | 13,850.00 | |
| Program Funds Still Available from HUD | | 486,150.00 |
| Status of Funds | | |
| Total Funds Drawn Down by Recipient | 13,850.00 | |
| Less: Funds Applied to Program Expense | 12,500.00 | |
| Total Funds Held by Recipient | | 1,350.00 |
| Total Program Funds Available for Disposition | | 487,500.00 |

CITY OF EATONTON, GEORGIA

COMMUNITY DEVELOPMENT BLOCK GRANT FUND, # 7

C.D.B.G. No. 11p-x-117-2-5390

STATEMENT OF PROJECT COSTS

FOR THE PERIOD SEPTEMBER 1, 2011 THROUGH AUGUST 31, 2012

| Program Activity | CDBG Activity Number | Approved Budget | CDBG Expenditures Cumulative | Questioned Costs |
|---|---|---|---|---|
| Street Improvements | P-03K-01 | 204,460.00 | 0.00 | 0.00 |
| Flood and Drainage Facilities | P-03K-02 | 242,690.00 | 0.00 | 0.00 |
| Administration | A-21A -00 | 30,000.00 | 12,500.00 | 0.00 |
| Contingencies | C-022-00 | 22,850.00 | 0.00 | 0.00 |
| Total | | 500,000.00 | 12,500.00 | 0.00 |

## PROPRIETARY FUNDS

### Major Fund

**Natural Gas Fund** – To account for the provision of natural gas services. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. All costs including depreciation are recorded in the fund.

### Nonmajor Fund

**Revolving Loan Fund** – To account for monies provided by the federal government, through a Community Development Block Grant Employment Incentive Program, which finances low-interest loans to local businesses and industries. Interest earnings, from loans and deposits, increases the amount available for loans.

CITY OF EATONTON, GEORGIA

NATURAL GAS FUND

COMPARATIVE STATEMENT OF NET ASSETS

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash | 922,017.32 | 2,101,765.57 |
| Time Certificates of Deposit | 388,502.96 | 385,723.56 |
| Accounts Receivable, Net of Allowance for Doubtful Accounts | 18,537.74 | 39,371.37 |
| Sales Tax Deposit | 2,436.55 | 3,139.05 |
| Time Certificates of Deposit, Customer Deposits | 373,357.16 | 366,798.98 |
| Total Current Assets | 1,704,851.73 | 2,896,798.53 |
| Capital Assets | | |
| Natural Gas System | 5,755,283.30 | 4,362,388.02 |
| Machinery and Equipment | 536,549.83 | 576,421.83 |
| | 6,291,833.13 | 4,938,809.85 |
| Less Accumulated Depreciation | 2,583,232.20 | 2,503,667.43 |
| Total Capital Assets | 3,708,600.93 | 2,435,142.42 |
| Total Assets | 5,413,452.66 | 5,331,940.95 |
| **Liabilities** | | |
| Current Liabilities | | |
| Accounts Payable | 31,445.81 | 35,341.24 |
| Customer Deposits | 99,314.23 | 95,464.23 |
| Current Portion of Compensated Absences Payable | 4,439.19 | 4,443.80 |
| Total Current Liabilities | 135,199.23 | 135,249.27 |
| Long-Term Liabilities (Net of Current Portion) | | |
| Compensated Absences Payable | 17,756.78 | 17,775.22 |
| Total Liabilities | 152,956.01 | 153,024.49 |
| **Net Assets** | | |
| Invested in Capital Assets | 3,708,600.93 | 2,435,142.42 |
| Committed for Stabilization | 273,682.10 | 195,751.80 |
| Unrestricted Net Assets | 1,278,213.62 | 2,548,022.24 |
| Total Net Assets | 5,260,496.65 | 5,178,916.46 |

CITY OF EATONTON, GEORGIA

NATURAL GAS FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEARS ENDED AUGUST 31, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| Operating Revenues | | |
| Sale of Natural Gas | 1,436,056.24 | 1,973,453.94 |
| Tap and Re-connection Fees | 10,862.50 | 7,250.00 |
| Penalties | 16,675.92 | 30,819.19 |
| Other | 5,185.91 | 2,995.86 |
| Total Operating Revenues | 1,468,780.57 | 2,014,518.99 |
| Operating Expenses | | |
| Cost of Natural Gas | 729,591.56 | 931,537.33 |
| Personnel Services and Employee Benefits | 302,182.73 | 301,015.99 |
| Travel, Education and Training | 1,414.49 | 1,097.89 |
| Professional Services | 27,529.69 | 29,339.04 |
| Technical Services | 4,257.72 | 7,391.19 |
| Maintenance and Repairs | 45,670.53 | 42,061.24 |
| Depreciation Expense | 121,536.77 | 171,555.63 |
| Insurance | 9,121.94 | 8,653.00 |
| Communications | 20,644.46 | 19,591.02 |
| Supplies, Hardware and Small Equipment | 81,678.12 | 18,239.33 |
| Gasoline | 22,326.23 | 22,301.16 |
| Utilities | 8,006.83 | 11,846.05 |
| Taxes | 23,839.85 | 28,160.25 |
| Total Operating Expenses | 1,397,800.92 | 1,592,789.12 |
| Operating Income (Loss) | 70,979.65 | 421,729.87 |
| Non-Operating Revenues | | |
| Interest Income | 10,600.54 | 13,797.29 |
| Special Item | | |
| Accounts Receivable Bankruptcy Loss | 0.00 | 124,749.99 |
| Change in Net Assets | 81,580.19 | 310,777.17 |
| Net Assets at Beginning of Year | 5,178,916.46 | 4,868,139.29 |
| Net Assets at End of Year | 5,260,496.65 | 5,178,916.46 |

CITY OF EATONTON, GEORGIA

NATURAL GAS FUND

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Cash Received from Customers | 1,493,464.20 | 1,893,062.62 |
| Cash Payments for Personnel Services | (302,205.78) | (297,342.55) |
| Cash Payments for Goods and Services | (977,274.35) | (1,106,547.06) |
| Net Cash Provided (Used) by Operating Activities | 213,984.07 | 489,173.01 |
| Cash Flows from Capital and Related Financing Activities | | |
| Acquisition and Construction of Capital Assets | (1,394,995.28) | (855,739.54) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (1,394,995.28) | (855,739.54) |
| Cash Flows from Investing Activities | | |
| Earnings On Investments | 10,600.54 | 13,797.29 |
| (Increase) Decrease in Investments | (9,337.58) | (11,906.87) |
| Net Cash Flows From Investing Activities | 1,262.96 | 1,890.42 |
| Net Increase (Decrease) in Cash | (1,179,748.25) | (364,676.11) |
| Cash at Beginning of Year | 2,101,765.57 | 2,466,441.68 |
| Cash at End of Year | 922,017.32 | 2,101,765.57 |
| | | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating Income (Loss) | 70,979.65 | 421,729.87 |
| Adjustments: | | |
| Special Item: Bankruptcy Loss | 0.00 | (124,749.99) |
| Depreciation | 121,536.77 | 171,555.63 |
| (Increase) Decrease in Assets: | | |
| Accounts / Notes Receivable | 20,833.63 | 6,988.27 |
| Sales Tax Deposit | 702.50 | 0.00 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (3,895.43) | 13,670.44 |
| Customer Deposits | 3,850.00 | (3,694.65) |
| Accrued Liabilities | (23.05) | 3,673.44 |
| Net Cash Provided by (Used in) Operating Activities | 213,984.07 | 489,173.01 |

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

COMPARATIVE STATEMENT OF NET ASSETS

AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Assets | | |
| Cash | 77,270.32 | 75,426.04 |
| Notes Receivable | 20,458.84 | 20,613.36 |
| Total Assets | 97,729.16 | 96,039.40 |
| Liabilities | | |
| Accounts Payable | 2,500.00 | 1,250.00 |
| Net Assets | | |
| Restricted for Program Purposes | 95,229.16 | 94,789.40 |

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Operating Revenues | | |
| Interest and Penalties - Notes Receivable | 1,075.84 | 1,100.32 |
| Total Operating Revenues | 1,075.84 | 1,100.32 |
| Operating Expenses | | |
| Professional Services | 1,250.00 | 1,250.00 |
| Write-off of Uncollectable Loan | 0.00 | 22,618.15 |
| Total Operating Expenses | 1,250.00 | 23,868.15 |
| Operating Income (Loss) | (174.16) | (22,767.83) |
| Non-Operating Revenues | | |
| Interest - Bank Account | 613.92 | 818.38 |
| Change in Net Assets | 439.76 | (21,949.45) |
| Net Assets at Beginning of Year | 94,789.40 | 116,738.85 |
| Net Assets at End of Year | 95,229.16 | 94,789.40 |

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Cash Received from Customers | 1,230.36 | 3,665.94 |
| Cash Payments for Goods and Services | 0.00 | (1,250.00) |
| Net Cash Provided (Used) by Operating Activities | 1,230.36 | 2,415.94 |
| Cash Flows from Investing Activities | | |
| Earnings On Investments | 613.92 | 818.38 |
| Net Cash Flows From Investing Activities | 613.92 | 818.38 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,844.28 | 3,234.32 |
| Cash at Beginning of Year | 75,426.04 | 72,191.72 |
| Cash at End of Year | 77,270.32 | 75,426.04 |

| | | |
|---|---|---|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities | | |
| Operating Income (Loss) | (174.16) | (22,767.83) |
| Adjustments: | | |
| (Increase) Decrease in Assets: | | |
| Notes Receivable | 154.52 | 25,183.77 |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | 1,250.00 | 0.00 |
| Net Cash Provided by (Used in) Operating Activities | 1,230.36 | 2,415.94 |

CITY OF EATONTON, GEORGIA

REVOLVING LOAN FUND

STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

| | |
|---|---|
| **Assets** | |
| Cash | 77,196.57 |
| Notes Receivable, Net of Allowance for Doubtful Accounts | 20,261.75 |
| Total Assets | 97,458.32 |
| **Liabilities** | |
| None | 0.00 |
| **Net Assets** | |
| Restricted for Program Purposes | 97,458.32 |

## Special Reports

DAVID GIDDENS
CERTIFIED PUBLIC ACCOUNTANT
412 WEST MARION STREET
EATONTON, GEORGIA

TELEPHONE (706) 485-5555

# INDEPENDENT AUDITOR'S REPORT
## On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Eatonton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Eatonton, Georgia, as of and for the year ended August 31, 2012. These collectively comprise the City's basic financial statements. We have issued our report thereon, dated February 8, 2013. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

The City's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements. However, it was not our purpose to express an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eatonton's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section. It was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, as defined above. However, we identified a deficiency that we consider to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by

those charged with governance. We consider the finding numbered as 2012-1, in the following Schedule of Findings and Responses, to be a significant deficiency.

The response of City of Eatonton officials, to the findings identified by our audit, is presented in the Schedule of Findings and Responses as "Views of Responsible Officials". These views have not been audited; accordingly, no opinion is expressed on them.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. As providing an opinion on compliance with those provisions was not an objective of our audit, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Additionally, we noted certain matters that we reported to City management in a separate letter dated February 8, 2013.

This report is intended solely for the information and use of the mayor, city council, management, others within the organization, federal awarding agencies and other grantor agencies. It is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

David Giddens
Certified Public Accountant
Eatonton, Georgia

February 8, 2013

***City of Eatonton***
***Schedule of Findings, Questioned Costs and Responses***
***For the Year Ended August 31, 2012***

Summary of Audit Results

| | | |
|---|---|---|
| Financial Statements | | |
| Type of auditor's report issued: | | unqualified |
| Internal Control over financial reporting | | |
| Material weakness(es) identified? | | no |
| Significant deficiency(ies), not considered to be a material weakness, identified? | | yes |
| Noncompliance material to financial statements noted? | | no |
| Federal Awards | | |
| Internal control over major program: | | |
| Material Weakness identified? | | no |
| Significant deficiency(ies), not considered to be a material weakness, identified? | | none reported |
| Type of auditor's report issued on compliance for major program: | | unqualified |
| Any audit finding disclosed that are required to be reported in accordance with section 501(a) of Circular A-133 ? | | no |
| Identification of major program: | | |
| United States Department of Housing and Urban Development Community Development Block Grant | CFDA number | 14.219 |
| Dollar threshold used to distinguish between type A and type B programs: | | $300,000 |
| Auditee qualified as a low risk auditee? | | no |

Financial Statement Findings and Responses

2012-1
**A:** Basis of Accounting

*Criteria:* Basis of accounting determines when transactions are reported on the financial statements. Revenue from sales taxes should be recognized in the period in which the taxable sale takes place.

*Condition:* Sales tax proceeds were recorded in the period that they were received (cash basis). In addition, they were correctly accrued at the end of the previous accounting period. Because the accrual was not reversed, the revenues were recorded in both the previous and the current accounting periods.

*Effect:* Local option sales tax revenues and the offsetting receivable were overstated by $370,038. An audit adjustment was made to correct this misstatement.

*Recommendation:* Accrued revenues should be reversed in the following accounting period.

*Views of Responsible Officials and Planned Corrective Action:* We concur with this finding. To prevent similar misstatements in the future, accruals will be reversed as recommended.

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# INDEPENDENT AUDITOR'S REPORT
## On Compliance with Requirements Applicable To Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133

Honorable Mayor and Members of the City Council
Eatonton, Georgia

Compliance

We have audited the compliance of the City of Eatonton, Georgia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on their compliance, based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance, with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Eatonton, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended August 31, 2012.

Internal Control Over Compliance

City management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over

compliance with requirements that could have a direct and material effect on a major federal program, in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

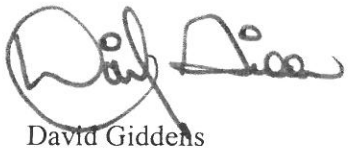
A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal awarding agencies. It is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,



David Giddens
Certified Public Accountant
Eatonton, Georgia

February 8, 2013

CITY OF EATONTON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2012

| FEDERAL GRANTOR<br>PASS THROUGH GRANTOR<br>PROGRAM OR CLUSTER TITLE | FEDERAL CFDA NUMBER | OTHER IDENTIFYING NUMBER | EXPENDITURES | |
|---|---|---|---|---|
| U.S. Department of Housing and Urban Development | | | | |
| Georgia Department of Community Affairs | 14.219 | 10p-x-117-2-5279 | 402,377.00 | |
| Georgia Department of Community Affairs | 14.219 | 11p-x-117-2-5390 | 12,500.00 | |
| Total U.S. Department of Housing and Urban Development | | | | 414,877.00 |
| U.S. Department of Justice - direct | | | | |
| Public Safety Partnership and Community Policing Grants | | | | |
| ARRA Community Oriented Policing Services Hiring Recovery Program | 16.710 | | 49,135.89 | |
| Total U.S. Department of Justice | | | | 49,135.89 |
| U.S. Department of Homeland Security | | | | |
| Federal Emergency Management Agency | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | | 3,517.00 | |
| Staffing for Adequate Emergency Response Grant- direct | 97.044 | EMW-2008-FF-00110 | 103,658.59 | |
| Total U.S. Department of Homeland Security | | | | 107,175.59 |
| Total Expenditures of Federal Awards | | | | 571,188.48 |

***City of Eatonton, Georgia***
***Notes to the Schedule of Expenditures of Federal Awards***
***For the Year Ended August 31, 2012***

Note A – Basis of Presentation

The preceding Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Eatonton (the City), Georgia, under programs of the federal government for the year ended August 31, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the City's operations, it is not intended to, and does not present the financial position, changes in net assets or cash flows.

Note B - Significant Accounting Policies

Basis of Presentation: Expenditures are reported on the accrual basis of accounting. Expenditures are recognized in accordance with the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Non-Cash Awards

The City did not receive or disburse any non-cash awards.

Note D – Subrecipients

The City did not provide federal awards to any subrecipients.

*The City of Eatonton, Georgia*
*Summary Schedule of Prior Audit Findings and Questioned Costs*
*For the Year Ended August 31, 2012*

Findings noted on the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133:

None reported.

DAVID GIDDENS
CERTIFIED PUBLIC ACCOUNTANT
412 WEST MARION STREET
EATONTON, GEORGIA 31024

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## Independent Auditor's Report on Special One Percent Sales and Use Tax

Honorable Mayor and Members of the City Council
City of Eatonton, Georgia

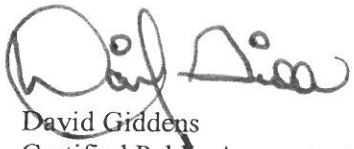
We have audited the accompanying Schedule of Special Purpose Local Option Sales Tax for the City of Eatonton, Georgia for the year ended August 31, 2012. This schedule is the responsibility of City management. Our responsibility is to express an opinion on the Schedule of Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Special Purpose Local Option Sales Tax was prepared for the purpose of complying with the Official Code of Georgia Annotated, 48-8-121 on the modified accrual basis of accounting as described in Note 1-D and is not intended to be a complete presentation of the City's revenues and expenditures.

In our opinion, the Schedule of Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the original estimated cost, the current estimated cost, and the current and prior year expenditures for each project in Putnam County's resolutions (which, through an intergovernmental agreement, specified allocation to the City) calling for the tax, for the year ended August 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,



David Giddens
Certified Public Accountant
Eatonton, Georgia
February 8, 2013

CITY OF EATONTON, GEORGIA

SCHEDULE OF PROJECTS CONSTRUCTED

WITH SPECIAL SALES TAX PROCEEDS

FOR THE YEAR ENDED AUGUST 31, 2012

| Project | Original Estimated Cost | Expenditures | | | Estimated Percentage of Completion |
|---|---|---|---|---|---|
| | | Prior Years | Current Year | Total | |
| Special Local Option Sales Tax Fund No. 1 | | | | | |
| Roads, Bridges, Sidewalks | 1,000,000.00 | 654,505.95 | 370,941.09 | 1,025,447.04 | 100% |
| Public Works Equipment | 58,000.00 | 50,120.63 | 0.00 | 50,120.63 | 100% |
| Public Safety Equipment | 475,000.00 | 481,513.34 | 0.00 | 481,513.34 | 100% |
| Community Cultural Center | 750,000.00 | 750,000.00 | 0.00 | 750,000.00 | 100% |
| Water Lines and Meters | 200,000.00 | 200,000.00 | 0.00 | 200,000.00 | 100% |
| Waste Water Line Improvements | 100,000.00 | 94,000.00 | 0.00 | 94,000.00 | 100% |
| Totals | 2,583,000.00 | 2,230,139.92 | 370,941.09 | 2,601,081.01 | |
| Special Local Option Sales Tax Fund No. 2 | | | | | |
| Roads, Bridges, Sidewalks | 1,775,000.00 | 0.00 | 212,764.71 | 212,764.71 | 12% |
| Public Works Equipment | 305,000.00 | 0.00 | 0.00 | 0.00 | 0% |
| Public Safety Equipment | 350,000.00 | 0.00 | 3,500.00 | 3,500.00 | 1% |
| Building Renovations | 195,000.00 | 0.00 | 0.00 | 0.00 | 0% |
| Downtown Parking Lot | 300,000.00 | 0.00 | 7,439.20 | 7,439.20 | 2% |
| City Park | 100,000.00 | 0.00 | 0.00 | 0.00 | 0% |
| Natural Gas Line Extension | 1,975,000.00 | 0.00 | 216,695.70 | 216,695.70 | 11% |
| Waste Water Improvements | 1,000,000.00 | 0.00 | 0.00 | 0.00 | 0% |
| Totals | 6,000,000.00 | 0.00 | 440,399.61 | 440,399.61 | |